山西安裝

SHANXI CIG

山西省安裝集團股份有限公司

Shanxi Installation Group Co., Ltd.

(A joint stock company incorporated in the People' s Republic of China with limited liability)

Stock Code: 2520

GLOBAL OFFERING

Joint Sponsors

华泰国际 HUATAI INTERNATIONAL

山證國際 SHANXI SECURITIES INTERNATIONAL

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

山證國際 SHANXI SECURITIES INTERNATIONAL

华泰国际 HUATAI INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

(in alphabetical order)

交銀國際 BOCOM International

光大證券 國際 EVERBRIGHT SECURITIES INTERNATIONAL

招銀国际 CMB INTERNATIONAL

富途證券

ICBC 工银国际

ZTSC 中泰國際

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

山西安装

山西建投 SHANXI CIG

Shanxi Installation Group Co., Ltd.
山西省安裝集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	**:**	**333,334,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**33,334,000 H Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**300,000,000 H Shares (subject to the Over-allotment Option and adjustment)**
Offer Price (subject to a Downward Offer Price Adjustment)	**:**	**Not more than HK$2.36 and not less than HK$2.10 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund) (If the Offer Price is set at up to 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the minimum Offer Price will be HK$1.89 per H Share)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2520**

Joint Sponsors

华泰国际 HUATAI INTERNATIONAL　　山證國際 SHANXI SECURITIES INTERNATIONAL

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

山證國際 SHANXI SECURITIES INTERNATIONAL　　华泰国际 HUATAI INTERNATIONAL

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

交銀國際 BOCOM International　　光大證券 國際 EVERBRIGHT SECURITIES INTERNATIONAL　　招银国际 CMB INTERNATIONAL

富途證券　　ICBC 工银国际　　ZTSC 中泰國際

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in "Appendix VII – Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Overall Coordinators, on behalf of the Underwriters, and our Company on Wednesday, November 15, 2023 as may be agreed between the parties, but in any event, no later than Tuesday, November 21, 2023. If, for any reason, the Overall Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Tuesday, November 21, 2023, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$2.36 per H Share and is expected to be not less than HK$2.10 per H Share (subject to a Downward Offer Price Adjustment), unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$2.36 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% subject to refund if the Offer Price is lower than HK$2.36. The Overall Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.sxaz.com.cn** as soon as practicable following the decision to make such reduction but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Overall Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or otherwise transferred within the United States, except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.sxaz.com.cn**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

November 10, 2023

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.sxaz.com.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(a) apply online via the **White Form eIPO** service through the designated website at **www.eipo.com.hk**; or

(b) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC must be for a minimum of 2,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Shanxi Installation Group Co., Ltd.
(HK$2.36 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
2,000	4,767.61	40,000	95,352.02	600,000	1,430,280.35	4,500,000	10,727,102.70
4,000	9,535.19	50,000	119,190.04	700,000	1,668,660.42	5,000,000	11,919,003.00
6,000	14,302.80	60,000	143,028.03	800,000	1,907,040.48	6,000,000	14,302,803.60
8,000	19,070.41	70,000	166,866.04	900,000	2,145,420.55	7,000,000	16,686,604.20
10,000	23,838.01	80,000	190,704.05	1,000,000	2,383,800.60	8,000,000	19,070,404.80
12,000	28,605.60	90,000	214,542.05	1,500,000	3,575,700.90	9,000,000	21,454,205.40
14,000	33,373.21	100,000	238,380.05	2,000,000	4,767,601.20	10,000,000	23,838,006.00
16,000	38,140.81	200,000	476,760.12	2,500,000	5,959,501.50	12,500,000	29,797,507.50
18,000	42,908.41	300,000	715,140.18	3,000,000	7,151,401.80	15,000,000	35,757,009.00
20,000	47,676.01	400,000	953,520.25	3,500,000	8,343,302.10	16,666,000[1]	39,728,420.80
30,000	71,514.02	500,000	1,191,900.30	4,000,000	9,535,202.40		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at ***www.hkexnews.hk*** *and our Company at* ***www.sxaz.com.cn****.*

Hong Kong Public Offering commences . . . . 9:00 a.m. on Friday, November 10, 2023

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk** . . . . 11:30 a.m. on Wednesday, November 15, 2023

Application lists open[3] . . . . .11:45 a.m. on Wednesday, November 15, 2023

Latest time for (a) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] . . . . .12:00 noon on Wednesday, November 15, 2023

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3] . . . . 12:00 noon on Wednesday, November 15, 2023

Expected Price Determination Date[5] . . . . Wednesday, November 15, 2023

Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (please see "Structure of the Global Offering – Pricing and Allocation" for further details) on the website of our Company at **www.sxaz.com.cn**[6] or the website of the Stock Exchange at **www.hkexnews.hk** before . . . . .Wednesday, November 15, 2023

Irrespective of whether a Downward Offer Price Adjustment is made, announcement of Offer Price, the level of applications in the Hong Kong Public Offering; the indication of level of interest in the International Offering; and the basis of allocation of the Hong Kong Offer Shares to be published on our website at **www.sxaz.com.cn**[6] and the website of the Stock Exchange at **www.hkexnews.hk** on or before . . . . Tuesday, November 21, 2023

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at **www.sxaz.com.cn** and **www.hkexnews.hk**, respectively . . . . Tuesday, November 21, 2023

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis . . . . from 8:00 a.m. on Tuesday, November 21, 2023 to 12:00 midnight on Monday, November 27, 2023

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m . . . . from Tuesday, November 21, 2023 to Friday, November 24, 2023

H Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before[7] [9] . . . . Tuesday, November 21, 2023

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before[8] [9] . . . . Tuesday, November 21, 2023

Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . 9:00 a.m. on Wednesday, November 22, 2023

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

(2) If you have already submitted your application through the designated website at **www.eipo.com.hk** and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications.

(3) If there is/are a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, November 15, 2023 the application lists will not open or close on that day. Please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(5) The Price Determination Date is expected to be on Wednesday, November 15, 2023, and in any event, not later than Tuesday, November 21, 2023. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us by Tuesday, November 21, 2023 the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) The H Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Wednesday, November 22, 2023. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(8) **White Form** e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications, and also in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(9) Applicants who have applied via **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, November 21, 2023 or such other date as notified by us as the date of dispatch/collection of H Share certificates/**White Form** e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through CCASS EIPO service should refer to the section headed "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies – Personal Collection – (b) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of **White Form** e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

H Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies".

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will publish an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the application forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

CONTENTS

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

OVERVIEW

We are a construction service provider based in Taiyuan, a city in Shanxi Province, China. We engage in specialized industrial construction, specialized auxiliary construction, other construction and non-construction business. During the Track Record Period, most of our revenue were generated from Shanxi Province. In 2022, the Group was the largest specialized industrial construction contractor in Shanxi Province by revenue with a market share of 3.0%.

Our history can be traced back to as early as 1952 as our predecessor was one of the earliest entities in the PRC specializing in industrial equipment installation. According to Frost & Sullivan, we were one of the earliest construction contracting companies in Shanxi Province and among the first batch of construction contracting companies awarded with Quality Management System Certifications in the PRC. We strive to provide customers with integrated professional system services covering the whole process and the entire production chain during the full cycle of construction services.

We offer a wide range of services, from (i) design and consulting, (ii) investment and construction, (iii) building construction, to (iv) operation and maintenance. As of the Latest Practicable Date, we have the following qualifications in terms of construction contracting:

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

OUR BUSINESS

We focus on the concept of "Design Consultation, Investment, Construction, Operation and Maintenance" to form a "four in one" industrial chain ("四位一體"產業鏈). We undertake projects in the capacity of both main contractor and subcontractor and are regarded as a midstream contractor. We are a construction contractor which undertake both EPC and PPP projects with the majority of the projects contracted were EPC projects and only a small amount were PPP projects during the Track Record Period. EPC and PPP are two of the major contracting models for construction works. EPC refers to engineering, procurement and construction, which is a common form of contracting model whereby the contractor is commissioned by the project owner to carry out project work such as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above; whereas PPP refers to public-private partnership, which is a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services.

We primarily engage in the following four business segments: (i) specialized industrial construction, (ii) specialized auxiliary construction, (iii) other construction, and (iv) non-construction business. For details of our business segments, please see "Business – Business Model."

The following table sets forth the breakdown of our revenue respectively generated from projects we had undertaken as main contractor and subcontractor by project type:

By project types:	For the year ended December 31, 2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	For the six months ended June 30, 2022 (RMB'000) (unaudited)	2023 (RMB'000)
EPC projects					
• as main contractor	8,392,666	11,284,523	10,440,058	4,711,557	3,972,504
• as subcontractor	163,520	382,651	905,454	432,046	455,644
Sub-total:	8,556,186	11,667,174	11,345,512	5,143,603	4,428,148
PPP projects					
• as main contractor	865,519	503,380	233,280	63,772	191,449
• as subcontractor	–	–	–	–	–
• as operator (including PPP operating fee income and interest income)	148,205	218,481	237,154	117,455	131,472
Sub-total:	1,013,724	721,861	470,434	181,227	322,921
Non-construction income (excluding PPP operating fee income and interest income)	578,710	889,334	1,028,876	423,103	496,964
Total:	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033

Our revenue from EPC projects in which were engaged as subcontractors increased in 2022 when compared to 2021 primarily because (i) four of such major projects, including Hebei Tangying Metal Company Limited's Raw Material Plant Construction Project and Beijing Zhongguancun Commercial Plaza Electrical Construction Project achieved significant progress of construction in 2022, which lead to us recognizing a larger amount of revenue for the relevant projects in 2022, and (ii) we commenced construction of three new projects, including the Smart High-end Industrial Park Infrastructure Construction Project for China Second Metallurgy Group Corporation Ltd., which in turn also contributed to the increase in revenue from EPC projects in 2022 which we were engaged as subcontractors.

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

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

	December 31, 2020		December 31, 2021		December 31, 2022		June 30, 2023		Latest Practicable Date	
	Number of projects	*RMB'000*	*Number of projects*	*RMB'000*	*Number of projects*	*RMB'000*	*Number of projects*	*RMB'000*	*Number of projects*	*RMB'000*
Opening number of projects/Opening value of backlog as of the beginning of the relevant year/period	825	21,014,989	993	22,786,814	946	32,280,212	798	38,397,705	861	37,759,959
Add: new projects secured/newly signed contract value *(excluding value-added tax)*	331	15,468,907	274	21,683,235	218	22,408,769	150	7,918,824	97	5,324,817
Add: (adjustment)/variation orders	N/A	290,304	N/A	(19,283)	N/A	665,315	N/A	62,674	N/A	13,088
Less: project cancellation	22	4,565,681	–	–	11	5,377,799	8	3,999,647	6	1,802,142
Less: projects completed/revenue recognized	141	9,421,705	321	12,170,554	355	11,578,792	79	4,619,597	30	2,947,935
Ending backlog as of the end of the relevant year/period	993	22,786,814	946	32,280,212	798	38,397,705	861	37,759,959	922	38,347,787

As of the Latest Practicable Date, the range for the lifespan of project in our backlog was between one to six years and the average lifespan of projects in our backlog was 3.3 years. For the years ended December 31, 2020, 2021 and 2022, the six months ended June 30, 2023 and from July 1 2023 to the Latest Practicable Date, the Group had 22, nil, 11, eight and six projects cancelled, which were mainly due to external factors, such as the lack of funding on the part of the customers or investors or the change in design subsequent to the entering into of the contracts. Pursuant to the cancellation agreements entered into between the Group and the relevant parties and/or as advised by the Group's legal advisers, the parties are released from all obligations from the construction contracts, including any rights to claim, and hence no legal action was taken by the Company in relation to the cancellation of the contracts. For contracts that had commenced construction, the Group would discuss with the counterparty prior to entering into the relevant cancellation agreement, and ensure that all cost incurred shall be recovered. For further details of our cancelled projects, please refer to the section headed "Business – Backlog and New Contract Value".

	December 31, 2020	December 31, 2021	December 31, 2022	June 30, 2023	Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed by project types:					
EPC projects*(Note)*	22,269,249	31,835,663	36,922,384	36,471,211	37,122,591
PPP projects	517,565	444,549	1,475,321	1,288,748	1,225,196
	22,786,814	32,280,212	38,397,705	37,759,959	38,347,787

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

	December 31,			June 30,	Latest Practicable Date
	2020	2021	2022	2023	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed by principal business activities:					
Specialized industrial construction	15,245,338	20,595,809	28,602,146	29,163,499	29,341,421
Specialized auxiliary construction	4,776,301	6,537,213	4,959,936	5,018,781	5,841,662
Other construction	2,765,175	5,147,190	4,835,623	3,577,679	3,164,704
	22,786,814	32,280,212	38,397,705	37,759,959	38,347,787

Due to the nature of our business and the long project cycle of construction works, it is an industry practice for customers and contractors to review and revise the contract terms from time to time during the lifespan of the construction projects to accommodate actual needs and change in circumstances of the project throughout the course of the construction process. For further details of our project backlog and variation orders, please refer to the section headed "Business – Backlog and New Contract Value".

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

Project types	For the year ended December 31, 2020 Revenue RMB'000	2020 Gross profit RMB'000	2020 Gross profit margin	2021 Revenue RMB'000	2021 Gross profit RMB'000	2021 Gross profit margin	2022 Revenue RMB'000	2022 Gross profit RMB'000	2022 Gross profit margin	For the six months ended June 30, 2022 Revenue RMB'000 (unaudited)	2022 Gross profit RMB'000 (unaudited)	2022 Gross profit margin	2023 Revenue RMB'000	2023 Gross profit RMB'000	2023 Gross profit margin
EPC	8,556,186	862,681	10.1%	11,667,174	1,110,972	9.5%	11,345,512	1,317,640	11.6%	5,143,603	595,995	11.6%	4,428,148	554,799	12.5%
PPP (including operating fee and interest income)	1,013,724	359,337	35.4%	721,861	257,746	35.7%	470,434	248,984	52.9%	181,227	129,418	71.4%	322,921	127,620	39.5%
Non-Construction Business(Note)	578,710	206,077	35.6%	889,334	379,210	42.6%	1,028,876	275,422	26.8%	423,103	116,845	27.6%	496,964	103,575	20.8%
Total	10,148,620	1,428,095	14.1%	13,278,369	1,747,928	13.2%	12,844,822	1,842,046	14.3%	5,747,933	842,258	14.7%	5,248,033	785,994	15.0%

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

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

The table below sets forth a breakdown of our gross profit and gross profit margin of our EPC projects by our role as main contractor or subcontractor for the years/periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Main Contractor	838,614	10.0%	1,061,981	9.4%	1,224,323	11.7%	549,229	11.7%	522,446	13.2%
Subcontractor	24,067	14.7%	48,991	12.8%	93,317	10.3%	46,766	10.8%	32,353	7.1%

For the three years ended December 31, 2022 and the six months ended June 30, 2022 and 2023, our gross profit of main contractor for EPC project was RMB838.6 million, RMB1,062.0 million, RMB1,224.3 million, RMB549.2 million and RMB522.4 million, respectively. Our gross profit margin for EPC projects under which we served as a main contractor fluctuated between 9.4% and 13.2% during the Track Record Period. The fluctuation of our gross profit margin for projects we acted as main contractor was mainly due to the fact that our gross profit margin for projects we acted as main contractor slightly decreased compared with the year ended December 31, 2020 as a result of the increase in the raw material price and the increase in labor costs for the year ended December 31, 2021. Furthermore, for the six months ended June 30, 2023, we recorded a gross profit margin of 13.2%, which was higher than that for each of the three years ended December 31, 2022 and the corresponding period in 2022. Such increase was mainly due to the fact that some of the major projects in our specialized auxiliary construction segment recorded higher gross profit margin, including the construction project of a 50,000 ton high-purity polycrystalline silicon production plant (i.e. Project SAC-30), which was our largest project during the six months ended June 30, 2023 in terms of revenue with revenue contribution of 16.9% to our revenue for the specialized auxiliary construction segment. Such project had a gross profit margin of 17.4%, which was 1.8 percentage points higher than the overall gross profit margin of our specialized auxiliary construction segment for the six months ended June 30, 2022, thereby contributing to the increase in our overall gross profit margin for the six months ended June 30, 2023.

For the three years ended December 31, 2022 and the six months ended June 30, 2022 and 2023, our gross profit of subcontractor for EPC project was RMB24.1 million, RMB49.0 million, RMB93.3 million, RMB46.8 million and RMB32.4 million respectively. Our gross profit margin for EPC projects under which we served as a subcontractor fluctuated between 7.1% and 14.7% during the Track Record Period. The fluctuation of our gross profit margin for projects we acted as subcontractors was mainly attributable to the fact that we undertook several specialized industrial construction projects which required higher technical input, thus we can charge our customers at higher price with higher profit margin, thereby leading to a higher overall gross profit margin for the year ended December 31,2020. For the six months ended June 30, 2023, we recorded a gross profit margin of 7.1%, which was lower than that for each of the three years ended December 31, 2022 and the corresponding period in 2022. Such decrease was mainly attributable to the fact that during the six months ended June 30, 2023, several of our mechanical and electrical installation construction projects on the residential building generated lower gross profit margin as those construction projects required low technical skills only, thereby leading to a decrease in our overall gross profit margin for the six months ended June 30, 2023.

As to the gross profit and gross profit margin of our PPP projects, please refer to "Business – Construction Investment – Public-Private Partnership Project".

OUR CUSTOMERS

During the Track Record Period, our customers are primarily located in the PRC, with a lesser proportion overseas. Our customers are involved in a broad range of industries, including among others, new energy industry, infrastructure, and chemical and petrochemical pharmaceutical. Our customers mainly include local governments, listed companies, large state-owned groups and private enterprises. The revenue generated from our top five customers in each year/period during the Track Record Period amounted to approximately RMB3,043.1

million, RMB2,236.1 million, RMB3,637.3 million and RMB1,390.6 million, representing 29.9%, 16.8%, 28.3% and 26.5% of our total revenue for the same periods. In the same periods, the revenue from our largest customer amounted to RMB853.5 million, RMB658.3 million, RMB1,197.9 million and RMB388.7 million, representing 8.4%, 5.0%, 9.3% and 7.4% of our total revenue for the respective periods.

During the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the revenue attributable to connected parties controlled by Shanxi CIG, our controlling shareholder, amounted to 3.0%, 4.9%, 6.6% and 7.4%, respectively; whereas the revenue attributable to entities controlled by SSCO (excluding Shanxi CIG and its associates) amounted to 5.1%, 4.8%, 5.4% and 7.1%, respectively. For further details of our revenue breakdown in terms of (i) type of customers; (ii) sector that our customers are engaged in; and (iii) segment revenue by major project type, please refer to the sections headed "Business – Customers" and "Financial Information – Description of Selected Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Revenue".

OUR SUPPLIERS

We have to purchase raw materials and leasing of equipment and machinery from suppliers selected from a list of qualified suppliers, which are all Chinese companies. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the purchases from our top five suppliers in each year/period during the Track Record Period amounted to approximately RMB815.4 million, RMB2,491.5 million, RMB4,927.4 million and RMB2,059.1 million, representing 10.3%, 15.3%, 30.6% and 35.0% of our total purchase amount for the respective periods. The purchase from our largest supplier amounted to RMB185.2 million, RMB780.1 million, RMB2,255.1 million and RMB1,073.8 million, representing 2.4%, 4.8%, 14.0% and 18.2% of our total purchase amount for the respective periods. For more details of our suppliers, please refer to "Business – Suppliers".

During the Track Record Period, we have customers that also serve as our suppliers during the same year/period during the Track Record Period. We mainly offer construction services to our overlapping customers/suppliers and we mainly procure construction raw materials and/or construction-related services from these overlapping customers/suppliers. For details, please refer to "Business – Suppliers – Entities who are our customers and also our suppliers".

OUR STRENGTHS

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

- we are an experienced construction service provider;
- we have established our position in the industry with independent research and development technology;
- our track record in new energy projects well positions us to benefit from the industry trend;
- with wide range of qualification coverage and design ability, as well as upstream and downstream resources collaboration capabilities and stable partnership with suppliers and subcontractors, we can continuously obtain additional project authorization;
- with 70 years of development history, we have bred a profound enterprise spirit and unique corporate culture and characteristics. We have a track record of providing customers with quality services through strict quality control, excellence management system, high safety standards and environmental management system; and
- our strong, professional management team shoulder our unique corporate mission of "dedicating quality works and creating bright future".

OUR STRATEGIES

Our goal is to continue to gain greater market share in Shanxi Province and other provinces in China and further consolidate our position in the specialized industrial construction and specialized auxiliary construction industries. To achieve this goal, we intend to implement the following strategies:

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

SUMMARY OF KEY FINANCIAL INFORMATION

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

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033
Cost of sales	(8,720,525)	(11,530,441)	(11,002,776)	(4,905,675)	(4,462,039)
Gross profit	1,428,095	1,747,928	1,842,046	842,258	785,994
Profit before tax	354,181	212,155	212,782	162,550	120,924
Profit for the year/period	**282,233**	**188,034**	**200,436**	**136,157**	**110,232**
Total comprehensive income for the year/period	284,219	186,183	212,175	146,895	111,367
Profit for the year/period attributable to:					
Equity holders of the Company	216,356	124,830	150,882	107,693	84,465
Non-controlling interests	65,877	63,204	49,554	28,464	25,767
	282,233	**188,034**	**200,436**	**136,157**	**110,232**

For further details of the fluctuation of our revenue, cost of sales, please refer the section headed "Financial Information – Description of Selected Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income".

We recorded a decrease in net profit and net profit margin from December 31, 2020 to December 31, 2021 and six months ended June 30, 2023 as compared with that of in 2022. Our net current assets decreased from RMB69.6 million as of December 31, 2022 to a net current liabilities of RMB357.2 million as of June 30, 2023. Notwithstanding such financial performance, the Directors are of the view that our business is sustainable and we have taken the measures to ensure our business sustainability, which is substantiated by the fact that our net profit margin for the year ended December 31, 2022 has recorded a slight increase. For further details, please see "Business – Business Sustainability."

Summary Consolidated Statements of Cash Flows

	Year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash generated from operating activities	976,331	67,515	45,244	72,156	48,874
Net cash used in investing activities	(1,061,091)	(659,418)	(445,296)	(288,061)	(347,885)
Net cash generated from financing activities	16,671	817,668	740,365	511,848	615,236
Net (decrease)/increase in cash and cash equivalents	(68,089)	225,765	340,313	295,943	316,225
Cash and cash equivalents at the beginning of the year/period	882,903	814,814	1,040,579	1,040,579	1,380,892
Cash and cash equivalents at the end of the year/period	814,814	1,040,579	1,380,892	1,336,522	1,697,117

For further details of the fluctuations in our cash flow during the Track Record Period, please refer to the section headed "Financial Information".

Summary Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	3,800,704	4,477,612	5,344,622	5,524,361
Current assets	9,578,373	13,097,349	16,102,402	16,709,401
Total assets	13,379,077	17,574,961	21,447,024	22,233,762
Current liabilities	9,321,564	12,830,949	16,032,811	17,066,599
Non-current liabilities	2,273,430	2,729,939	3,181,293	2,887,231
Net current assets/(liabilities)	256,809	266,400	69,591	(357,198)
Non-controlling interests	304,437	338,528	423,604	456,694
Total equity	1,784,083	2,014,073	2,232,920	2,279,932

We recorded net current liabilities of RMB357.2 million as of June 30, 2023, which was mainly due to the increase in our short-term borrowings by RMB782.7 million from RMB2,201.3 million as of December 31, 2022 to RMB2,984.0 million and increase in our trade payables and bills payable by RMB370.4 million from RMB9,170.6 million as of December 31, 2022 to RMB9,541.0 million. For details of our fluctuation in our statements of financial position and reasons for the net current liabilities position, please refer to the section headed "Financial Information – Net Current Assets/(Liabilities)".

Key Financial Ratios

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2020	2021	2022	2023
Current ratio (time)	1.0	1.0	1.0	1.0
Quick ratio (time)	1.0	1.0	1.0	1.0
Gearing ratio*(Note 1)* (%)	173.9	211.7	241.8	271.9
Net debt to equity ratio (%)	113.1	143.7	146.4	171.2
Return on assets (%)	2.1	1.1	0.9	0.5
Return on equity (%)	14.6	7.5	8.3	4.6

Note 1: Gearing ratio is calculated by dividing total interest-bearing borrowings by total equity as at the end of the respective year/period and multiplied by 100%.

Note 2: For details of the calculation basis of the financial ratios above and fluctuations, please refer to the section headed "Financial Information – Financial Ratios".

SERVICE CONCESSION ARRANGEMENTS

We have entered into service concession arrangements with certain government authorities in the PRC in particular for our PPP projects, where we design the relevant facilities, procure the necessary equipment, and build and/or renovate the facilities. Upon the completion of the construction or renovation, we are granted the right to operate the facilities during a specified concession period, which typically lasts for 10 to 29 years, and are entitled to services fees during the concession period to recover our costs of investment, construction, operation and maintenance and to provide us with reasonable returns. For details of accounting treatment in association with our PPP projects, please refer to the section headed "Financial Information – Critical Accounting Policies, Judgments and Estimates" and "Accounting treatment for service concession project" under note 3.2 to the Accountants' Report set out in Appendix I to this prospectus.

OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, Shanxi CIG is our Controlling Shareholder and will, directly or indirectly, hold approximately 75% of the issued share capital of our Company immediately following completion of the Global Offering (without taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option). Our Directors believe that our Group is capable of carrying out its businesses independently of our Controlling Shareholder and its associates. Please refer to "History, Development and Corporate Structure" for details of the shareholding structure of our Company and "Relationship with our Controlling Shareholder" for details of business delineation between our Group and SCIG Group.

CONTINUING CONNECTED TRANSACTIONS

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

LEGAL AND NON-COMPLIANCE

During the Track Record Period, we did not have any fatal incidents and we had not experienced accidents causing permanent disability. We were involved in (1) a shareholders dispute with a former individual shareholder in relation to the transfer of shares; (2) certain non-compliance events in labor dispatching and inadequate contribution to the social insurance plan and housing provident fund; (3) a number of pending litigation cases where we are the defendant and the maximum liability of each case is likely to be over RMB10 million; (4) issues with a transfer of an EPC project in Australia; and (5) certain non-compliance events in bidding procedures.

In particular for the EPC project in Australia, the Company has made a provision of approximately RMB10.4 million for the year ended December 31, 2022 for the delay in progress of the Australia Project. On the other hand, our Group has entered into a termination agreement with the relevant supplier of the Australia Project on May 16, 2023, and accordingly, we have recognized an amount of RMB7.4 million on the settlement amount in respect of the dispute arising from the Australia Project; and written off during the six months ended June 30, 2023 the prepayment we made to the relevant supplier for the procurement of inverters under the Australia Project in the amount of approximately RMB6.9 million to the consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2023. For further details, please refer to the section headed "Business – Overseas Business – Issues with our Australia Project".

For details, please see the sections headed "History, Development and Corporate Structure – Corporate Development – Shareholders dispute"; "Business – Legal and Regulatory Compliance and "Business – Overseas Business – Issues with our Australia Project" in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of HK$668.3 million from the Global Offering, assuming that an Offer Price of HK$2.23 per H Share (being the mid-point of the indicative Offer Price range) and the Over-allotment Option is not exercised, and after deducing the underwriting commissions and other estimated expenses payable by us in connection with Global Offering. We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 50% (or HK$334.1 million), to be used for financing new energy projects. To implement the development strategy of "investment diversification and the integration of investment, construction and operation", we intend to apply the proceeds allocated hereunder for equity investments for new energy project. We intend to cooperate with other private entities in investing in and building privately-owned facilities and generate profit through the operation of such facilities.

- approximately 32% (or HK$213.9 million), to be used for financing our equity investment commitment under current and future PPP projects and construction projects of the Company such as clean heating, distributed energy, solid waste disposal and water treatment.

- approximately 10% (or HK$66.8 million), to be used for financing new energy projects of upstream and downstream manufacturing industries, including: (i) approximately 5% to be used for our heavy-steel structure plant base; and (ii) approximately 5% to be used for financing our future equity investment in other upstream and downstream manufacturing industries, for example, equity investment in industrial park with production line for construction equipments.

- approximately 8% (or HK$53.5 million), to be used for working capital and general corporate purposes.

We intend to utilize the net proceeds from the Global Offering within two to three years from the date of Listing. For further details, please refer to the section headed "Future Plans and Use of Proceeds".

DIVIDEND

The PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank facilities or other agreements that we or our subsidiaries may enter into in the future. The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend.

In each of 2020, 2021 and 2022, we declared and paid cash dividends of RMB99.7 million, RMB113.5 million, RMB28.8 million, respectively, which was settled in cash and cash equivalents. During the six months ended June 30, 2023, we declared dividend of RMB71.7 million. However, our historical dividends may not be indicative of future dividend payments. During the Track Record Period, our method and factors taken into account when deciding on distributing dividends have complied with the requirements of the Notice of the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province on the Preparation of the Proposed Draft State-owned Capital Operating Budget of Provincial Enterprises for the Year 2020 (Jin Guozi Capital Letter [2019] No. 395) and the assessment requirements imposed by the SCIG Group[(Note)].

HIGHLIGHTS OF RISK FACTORS

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

– Our business and future growth are subject to macroeconomic conditions, changes in government policies and market demand for our services, which are beyond our control. In particular, we are exposed to potential risks associated with participation in government-directed projects, which is subject to changes in public policy considerations or public expenditure policies that is beyond our control.
– Our operations are subject to inherent operational risks and occupational hazards, which could cause us to incur substantial costs, damage our reputation and loss of future business.
– We have limited control over the quality, availability and performance of our construction subcontractors.
– We may not be able to meet our significant working capital requirements if we experience significant delays in our progress payments and settlement process, or significant delays or defaults in our trade receivables and bills receivable, performance guarantees or retention fees.
– PPP projects typically require significant cash outflows and feature longer payback periods and we may require substantial funding for these projects.
– Our revenue is generally non-recurring in nature, and most projects (other than PPP projects) do not generate any recurring revenue upon completion.
– We recorded net current liabilities as of June 30, 2023 and we may not generate sufficient cash flow in the future to finance our operations or satisfy our current liabilities.

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

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

LISTING EXPENSES

We estimate that our total listing expenses in relation to this Global Offering will be approximately RMB68.8 million, representing 10.1% of the gross proceeds from the Listing, (including underwriting commissions of approximately RMB23.9 million, representing 3.5% of the gross proceeds from the Listing, and non-underwriting-related expenses of approximately RMB44.9 million, representing 6.6% of the gross proceeds from the Listing, which consist of fees and expenses for legal advisors and accountants of approximately RMB30.7 million, representing 4.5% of the gross proceeds from the Listing, and other fees and expenses of approximately RMB14.3 million, representing 2.1% of the gross proceeds from the Listing) (based on the midpoint of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised), of which a total amount of RMB33.7 million is directly attributable to the issue of our H Shares and will be deducted from equity. The remaining RMB35.1 million had been and will be charged to the consolidated statement of comprehensive income. Among which, we incurred listing expenses in relation to the Global Offering of RMB16.8 million during the Track Record Period, and the rest will be charged to the consolidated statement of comprehensive income for the year ending December 31, 2023.

GLOBAL OFFERING STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on the minimum Offer Price of HK$1.89 per Share after Downward Offer Price Adjustment of up to 10%	Based on an Offer Price of HK$2.10 per Share	Based on an Offer Price of HK$2.36 per Share
Market capitalization of the Shares[1]	HK$2,520.0 million	HK$2,800.0 million	HK$3,146.7 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[2]	HK$1.91	HK$1.96	HK$2.03

Notes:

(1) The calculation of market capitalization is based on the assumption that 1,333,334,000 Shares will be in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), including 333,334,000 H Shares to be issued pursuant to the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share in the above table is calculated after the adjustments referred to in the section headed "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" set out in "Appendix II – Unaudited Pro Forma Financial Information" to this prospectus and on the basis of 1,333,334,000 Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

IMPACT OF COVID-19

Despite mild delays at the early stage of the outbreak of the pandemic as we were still adapting to new policies implemented, our Group was not affected by the pandemic in any material aspects. As of the Latest Practicable Date, the impact of the COVID-19 pandemic on our operation has diminished and our Group's operation has already resumed to normal level. The Directors are of the view that the COVID-19 pandemic have not caused material adverse impact on the Company's financial performance and its business operation. For further details, please refer to the section headed "Business – Impact of COVID-19".

RECENT DEVELOPMENT

We continue to be awarded projects with our wide range of qualifications and design capabilities. Since June 30, 2023 and up to the Latest Practicable Date, we have entered into a total number of 97 new projects with total contract sum of RMB5,324.8 million (excluding value-added tax). The following table sets forth the details of our top five new projects based on contract sum that we have secured since June 30, 2023 and up to the Latest Practicable Date:

Scope of work of new construction projects	Type of business	Contract sum *(RMB'000)*	Expected commencement time/ Commencement time	Expected completion time	Our capacity undertaking the project (Main contractor/ Subcontractor)
1. Construction of 30 wind turbines and ancillary facilities and a 220kV booster station	Specialized industrial construction – power engineering	915,201	December 2023	December 2024	Main contractor
2. Construction of 220kV booster station and ancillary works, and construction of access roads in a photovoltaic farm and off-site transportation roads	Specialized industrial construction – power engineering	509,842	February 2024	March 2025	Main contractor
3. Construction of a petrochemical product production plant with seven factory buildings and ancillary facilities including fire prevention system and greeneries	Specialized industrial construction – petrochemical engineering	496,000	July 2023	February 2024	Main contractor
4. Construction of a construction waste processing line	Specialized auxiliary construction – environmental protection engineering	442,645	April 2024	June 2026	Main contractor
5. Construction, decoration and installation of main building structure in the main installation area and its adjacent area	Specialized industrial construction – petrochemical engineering	300,000	August 2023	September 2024	Main contractor

Regulatory Updates on Overseas Listing and Cybersecurity Regulations

Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》(China Securities Regulatory Commission Announcement [2023] No. 43) (the "**Measures for Overseas Offering and Listing**"), which became effective from March 31, 2023. On November 25, 2022, we obtained the approval from the CSRC regarding the offering of overseas listed foreign shares, which will be valid until November 24, 2023. Our PRC Legal Adviser is of the view that, we do not need to fulfill the filing procedures for the Global Offering and Listing when our Company completes the overseas offering and listing before the expiration of the approval; while we still need to fulfill the filing procedures for the Global Offering and Listing under the requirements of the Measures for Overseas Offering and Listing when our Company fails to complete the overseas offering and listing before the expiration of the approval.

Cyber Securities Regulations

The Group is principally engaged in specialized industrial construction business, specialized auxiliary construction business, other construction and non-construction business, does not involve data collection and process business, and does not handle personal data of over 1 million users, and therefore does not constitute a network platform operator as stipulated by the PRC Cybersecurity Law. Based on the advice given by the PRC legal Advisor, nothing has come to the attention of the Directors and the Joint Sponsors that the Measures for Cybersecurity Review is applicable to the Group. For further details, please refer to the sections headed "Regulatory Overview – Overseas Listing" and "Regulatory Overview – Cybersecurity".

NO MATERIAL ADVERSE CHANGE AS CONFIRMED BY DIRECTORS

Our Directors, after due and careful consideration, confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2023 and there have been no events since June 30, 2023 that have materially affected the data presented in the Accountants' Report set forth in Appendix I.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"Accountants' Report"	the accountant's report of our Company, the text of which is set out in Appendix I to this prospectus
"AFRC"	Accounting and Financial Reporting Council
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"AUD"	Australian dollars, the lawful currency of Australia
"Australia"	the Commonwealth of Australia
"Board" or "Board of Directors"	the board of Directors of our Company
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"Capital Market Intermediaries"	the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and other capital market intermediaries (within the meaning ascribed thereto under the Listing Rules) participating in the Global Offering
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Clearing Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (a) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (b) (if you are an existing CCASS Investor Participant) giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System +852 2979 7888 (following the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Shanxi Installation Group Co., Ltd. (山西省安裝集團股份有限公司) (formerly known as Shanxi Industrial Equipment Installation Company* (山西省工業設備安裝公司), Shanxi Industrial Equipment Installation Co., Ltd.* (山西省工業設備安裝有限公司) and Shanxi Industrial Equipment Installation Group Co., Ltd. * (山西省工業設備安裝集團有限公司)), a company established under the laws of the PRC on November 20, 1989 as a whole-people owned enterprise and eventually converted into a joint stock company with limited liability on December 31, 2021
"Compliance Advisor"	has the meaning ascribed to it under the Listing Rules
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Shanxi CIG. For further details, please refer to the section headed "Relationship with our Controlling Shareholder" in this prospectus
"CSDC"	China Securities Depository and Clearing Corporation Limited
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below HK$2.10 (being the bottom end of the indicative Offer Price range)

"EIT Law"	the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Euro", "EUR" or "€"	European dollars, the lawful currency of the European Union
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form" or "Application Form"	the application form to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and its subsidiaries from time to time
"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing and permission to deal in on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Offer Shares"	the H Shares offered pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 8, 2023, relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholder, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in section headed "Underwriting" in this prospectus
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations issued by the International Accounting Standards Board
"Indemnity Agreement"	the indemnity agreement dated November 3, 2023 entered into by Shanxi CIG in favour of our Company (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time), as further described in the section headed "Appendix VI – Statutory and General Information – E. Other Information – 3. Tax and Other Indemnity" to this prospectus
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company
"International Offer Shares"	the H Shares offered pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by us pursuant to the exercise of the Over-allotment Option

"International Offering"	the conditional placing by the International Underwriters of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of underwriters, led by the Joint Global Coordinators, that expects to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by our Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date
"Joint Bookrunners"	Shanxi Securities International Limited, Huatai Financial Holdings (Hong Kong) Limited, BOCOM International Securities Limited, China Everbright Securities (HK) Limited, CMB International Capital Limited, Futu Securities International (Hong Kong) Limited, ICBC International Capital Limited and Zhongtai International Securities Limited
"Joint Lead Managers"	Shanxi Securities International Limited, Huatai Financial Holdings (Hong Kong) Limited, BOCOM International Securities Limited, China Everbright Securities (HK) Limited, CMB International Capital Limited, Futu Securities International (Hong Kong) Limited, ICBC International Capital Limited, Zhongtai International Securities Limited, Eddid Securities and Futures Limited, Patrons Securities Limited, Victory Securities Company Limited and ZMF Asset Management Limited
"Joint Sponsors"	Huatai Financial Holdings (Hong Kong) Limited and Shanxi Securities International Capital Limited
"Latest Practicable Date"	November 1, 2023, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus

"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, November 22, 2023 on which the Shares are first listed and from which dealings in the Shares are permitted to commence on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	National Development and Reform Commission of the PRC
"NEEQ"	National Equities Exchange and Quotations
"Non-competition Agreement"	the non-competition agreement dated November 3, 2023 and entered into by Shanxi CIG (for itself and each member of its group, excluding members of our Group) in favor of our Company (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time), as further described in the section headed "Relationship with our Controlling Shareholder – Non-competition Agreement" in this prospectus.

"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) of not more than HK$2.36 and expected to be not less than HK$2.10 (subject to any Downward Offer Price Adjustment), at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, being ordinary shares of the Company, together with, where relevant, any additional ordinary shares which we may issue pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option we expect to grant to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) under the International Underwriting Agreement, which may require us to allot and issue up to an aggregate of 50,000,000 additional Offer Shares at the Offer Price to cover over-allocations in the International Offering, if any
"Overall Coordinators" or "Joint Global Coordinators"	Shanxi Securities International Limited and Huatai Financial Holdings (Hong Kong) Limited
"PBOC"	the People's Bank of China
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC Legal Advisor"	Jia Yuan Law Offices, our legal advisor as to the laws of the PRC
"Price Determination Agreement"	the agreement to be entered into by the Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date to record and fix the pricing of the Offer Shares

"Price Determination Date"	the date, expected to be on or about Wednesday, November 15, 2023 on which the Offer Price will be determined, or such later time as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and we may agree, but in any event, not later than Tuesday, November 21, 2023
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"SCIG Group"	Shanxi CIG and its subsidiaries, for the purpose of this prospectus, except our Group
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shan'an Bluesky"	Shanxi Shan'an Bluesky Energy Conservation Technology Co., Ltd.* (山西山安藍天節能科技股份有限公司), a company incorporated in the PRC, whose shares are listed on the NEEQ, and as at the Latest Practicable Date, our Company owned approximately 56.77% of its shareholding interest. For further details, please see "History, Development and Corporate Structure – Our Major Subsidiaries"

"Shan'an Lide"	Shanxi Shan'an Lide Environmental Technology Company Limited* (山西山安立德環保科技有限公司) (formerly known as "Shanxi Shan'an Lide Energy Reservation Technology Company Limited (山西山安立德節能科技有限公司)), a company incorporated in the PRC and a 75% owned subsidiary of our Company. For further details, please see "History, Development and Corporate Structure – Our Major Subsidiaries"
"Shanghai Rongda"	Shanghai Rongda Investment Management Co., Ltd.* (上海榮大投資管理有限公司), a company incorporated in the PRC and a wholly owned subsidiary of Shanxi CIG
"Shanxi CIG"	Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司), a state-owned company established under the laws of the PRC and our Controlling Shareholder
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"SSCO"	Shanxi State-Owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司)
"Stabilizing Manager"	Shanxi Securities International Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

"Track Record Period"	three years ended December 31, 2022 and the six months ended June 30, 2023
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S." or "United States"	the United States of America, its territories and possessions
"U.S. Securities Act"	The United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Withdrawal Mechanism"	a mechanism which requires our Company, among other things, to (i) issue a supplemental prospectus as a result of material changes in the information (such as the Offer Price) in this prospectus; and (ii) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach (i.e. requiring investors to positively confirm their applications for Shares despite the changes)
"Yu'an Hengchuang"	Shanxi Yu'an Hengchuang Construction Engineering Company Limited* (山西譽安恒創建築工程有限公司), a company incorporated in the PRC with limited liability, was owned as to 20% by the Company as of the Latest Practicable Date. For further details, please see "History, Development and Corporate Structure – Disposal of Yu'an Hengchuang"
"%"	per cent

* *For identification purposes only*

This glossary contains explanations of certain technical terms used in this prospectus in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"AIoT"	Artificial Intelligence of Things, which is the combination of artificial intelligence technologies and the internet of things infrastructure
"Belt and Road Initiative"	the trading policy of the PRC Government aimed at linking China to the world and to facilitate the trading between China and its neighboring Asian and European countries along the new silk road
"BIM"	Building Information Modeling. As a cutting-edge 3D modeling and visualization tool, Building Information Modeling (BIM) has become a trending technology adopted by market participants
"BOT"	Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, design, construction, operation of certain facilities in a concession period, during which the enterprise can charge service fees based on the service to cover its costs of investment, operation and maintenance and obtain reasonable returns, while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government at nil consideration
"CAGR"	compound annual growth rate
"contract value"	final negotiated or proposed price of a contract before tax
"curtain wall"	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keep air and water from penetrating the building envelope

"EMC"	energy management contract, a business model under which an energy management solutions company enters into an energy management contract with a customer and provides the customer a series of energy management services including project design, project financing, equipment procurement, project construction, equipment installation and commissioning, and energy services. The company will recover its investment and derive profit by collecting energy management fees from customers
"EPC" or "EPC project"	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
"GW"	gigawatt
"kV"	kilovolt
"kW"	kilowatt
"LNG"	liquefied natural gas
"MW"	megawatt
"m^2" or "sq.m."	square meters
"new energy"	clean energy that does not emit pollutants and can be directly used for production and daily life, including wind power, solar power, geothermal power, garbage power, straw and other renewable energy
"output value"	the total amount of pecuniary investment by project owners in a construction project (excluding land price and including other construction works subcontracted to other parties of the same construction project)

"PPP"	public-private partnership, a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
"SECH building(s)"	building used for science, education, cultural and health (科教文衛) purposes

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;

- various business opportunities that we may pursue; and
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully read all of the information in this prospectus including the risks and uncertainties described below before making an investment in our H Shares. Our business, financial position or results of operations could be materially and adversely affected by any of the risks mentioned in this section. The trading price of our H Shares could decline due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC, our business is primarily located in China and we are governed by a legal and regulatory environment that may differ from that prevails in other countries and jurisdictions. For more information concerning China and certain related matters discussed below, see "Regulatory Overview", "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of Articles of Association" for further details.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth are subject to macroeconomic conditions, and changes in government policies and market demand for our services, which are beyond our control.

Our business and future growth prospects depend on general economic conditions and levels of specialized industrial construction, specialized auxiliary construction, other construction and infrastructure development in China, particularly in the Shanxi Province where our principal business is focused in. The activities in respect of specialized industrial construction, specialized auxiliary construction and other construction and infrastructure development in China are susceptible to global economic fluctuations and market uncertainty. Our revenue may be adversely affected if the global economy, especially the economy of the principal place of business where the Company is located experiences slower growth or enters into recession, or if the spending on specialized industrial construction, specialized auxiliary construction and other construction projects is reduced, including any reduction in government infrastructure spending.

In addition, we are susceptible to changes in government policies related to the construction industry, including those that affect infrastructure, new energy, project financing and taxation, as well as local government budgets and the regulation regarding private enterprise's participation in the infrastructure industry. We cannot assure you that Chinese government's industry-related policies will not change in the future, any adjustment and change in relevant policies by the government may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our operations are subject to inherent operational risks and occupational hazards, which could cause us to incur substantial costs, damage our reputation and loss of future business.

Construction sites are workplaces with potential danger and our specialized industrial construction, specialized auxiliary construction and other construction projects routinely expose our employees, subcontracted workers and other personnel to heavy construction projects machinery and equipment, moving motor vehicles, highly regulated and volatile materials. We continue to be subject to risks surrounding these activities, such as equipment failure, work injury accidents, geological catastrophes, fire and explosions. These hazards may cause personal injury or fatalities, as well as damage to or destruction of property and equipment. We cannot assure you that material workplace incidents will not occur in the future. Even if such incidents were not caused by our fault or negligence, such incidents may still cause us to incur substantial costs, damage to our reputation and loss of future business, which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to meet our significant working capital requirements if we experience significant delays in our progress payments and settlement process, or significant delays or defaults in our trade receivables and bills receivable, performance guarantees or retention fees.

Most of our specialized industrial construction, specialized auxiliary construction and other construction contracting projects take a substantial period of time to complete. Therefore, the contracts for our various construction contracting business generally require our clients to make payments on a regular basis to us in installments upon our achieving certain project milestones or with regard to the portion of work completed. See "Business – Customers – Contract Terms" for further details. Our trade receivables and bills receivable were RMB4,345.0 million, RMB5,549.6 million, RMB6,371.4 million and RMB6,188.4 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively, representing 45.4%, 42.4%, 39.6% and 37.0% of our total current assets, respectively. During the years ended December 31, 2020, 2021, 2022 and six months ended June 30, 2023, the provision for expected credit losses on trade receivables and bills receivables was RMB58.8 million, RMB76.2 million, RMB48.7 million and RMB37.5 million, respectively. For more information on our trade receivables and bills receivable, see "Financial Information – Liquidity and Capital Resources – Trade receivables and bills receivable" and note 8 to the Accountants' Report included in Appendix I to this propectus. During the Track Record Period, we had adopted a "building for debt-paying" arrangement to recover our account receivables. During the Track Record Period, the total amount of account receivables subject to "building for debt-paying" arrangement amounted to approximately RMB69.0 million. According to Frost & Sullivan, "building for debt-paying" arrangements with customers, suppliers and subcontractors are not uncommon in the industry. Our PRC Legal Advisor is also of the opinion that these building for debt-paying agreements are entered into in accordance with the General Principles of the Civil Law of the People's Republic of China (《中華人民共和國民法通則》) and the Contract Law of the People's Republic of China (《中華人民共和國合同法》) for the time being in force, and do not violate the relevant PRC laws and regulations. Please see

"Business – Properties – "Building for debt-paying" arrangement" for further details. Delays in or failure to make payment on the part of our clients or delays in our billing process may negatively influence our cash flow position and our ability to meet our working capital requirements. We have, from time to time, experienced late payments from certain customers, resulting in unexpected increases in trade receivables and cash outflows. If we are unable to collect our contract fees or amounts owed are not paid to us in full or on a timely basis, our cash flow and financial condition will be adversely affected. In addition, we incur project costs, primarily materials, equipment and labor costs, on an ongoing basis, and quite frequently at the beginning of a project or before achieving relevant project milestones. In respect of the projects on which we have already incurred significant costs and expenditures, customers' defaults in making payments or a lapse in time between our receipt of timely scheduled payments from our customers and payments due to our suppliers would materially and adversely affect our results of operations and reduce our working capital.

In line with the prevailing market practice adopted in the engineering industry in China, and according to Frost & Sullivan, approximately 3-10% of the project value is typically withheld by our clients as retention fee against any possible defects in the quality of our work and will only be released after expiration of the defects liability period, which typically lasts less than 24 months. As a result, we are often required to bear some costs and expenditures for projects prior to receiving full payment from our clients to cover such costs and expenditures. Furthermore, our clients generally require us to provide advance payment guarantees and performance guarantees to secure our contractual obligations. If our clients claim that we failed to perform our obligations and thus they delay or refuse to repay retention fees, our liquidity could be materially and adversely affected in a direct or indirect way. For more details, see "Business – Customers – Contract Terms". Any default in payments of receivables and progress payments or delays in payments of retention fees owed to us or any unilateral demands on performance and quality guarantees by our clients may lead to a decrease of working capital available for our other businesses. While we may file claims against clients for uncompensated costs we have incurred pursuant to our contracts, dispute resolutions process requires significant time, financial and other resources, and the outcome is often uncertain.

In addition, we face the risk that our clients may be unable to perform their contractual obligations due to their failure to obtain sufficient funding for project development, general financial difficulties or other reasons. Over the Track Record Period, our trading terms with our third party customers were mainly on credit. For the three years ended December 31, 2022 and the six months ended June 30, 2023, our Group had turnover days of trade receivables and bills receivable of approximately 140 days, 136 days, 169 days and 217 days, respectively. For the three years ended December 31, 2022 and the six months ended June 30, 2023 our turnover days of trade payables were approximately 181 days, 197 days, 278 days and 380 days, respectively. When our clients require bank financing for construction contracting services, the availability and terms of financing in the market will have a significant impact on clients' demand for our services. To the extent there is instability in the credit markets, the availability of credit may be limited and it may be difficult or expensive to obtain financing. This situation could negatively impact our clients' ability to fund their projects and purchase our services. Accordingly, if our clients are unable to obtain financing in a timely manner or at a reasonable cost, the relevant projects may be adversely affected, we may be required to consider alternative sources of financing and/or delay our payment obligations and our financial performance and prospects may be materially and adversely affected.

We also routinely enter into contracts with counterparties, including vendors, suppliers and subcontractors, that may be negatively impacted by the credit market. If those counterparties are unable to perform their obligations to us or our clients, we may be required to provide additional services or make alternate arrangements on less favorable terms with other parties to ensure adequate obligation performance and provision of services to our clients. Moreover, we may be subject to disputes brought by clients, subcontractors or suppliers that refuse to make payment to us of costs exceeding forecasted expenditures or who deny their obligations to perform certain duties under their contracts. These circumstances could also lead to disputes and even litigations with our clients or other contractual counterparties, which could have a material adverse impact on our reputation, business, financial condition and results of operations.

Our borrowing levels and significant interest payment obligations could limit the amount of funding available for our business operations.

We fund the working capital requirement for our business operations and capital expenditure mainly through cash generated from our operations and interest-bearing bank and other borrowings. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our interest-bearing bank and other borrowings amounted to RMB3,102.6 million, RMB4,264.2 million, RMB5,398.9 million and RMB6,199.0 million, respectively, while our gearing ratio as of each of December 31, 2020, 2021 and 2022 and June 30, 2023 were 173.9%, 211.7%, 241.8% and 271.9%, respectively. See "Financial Information – Indebtedness" for further details. We cannot assure you that we will be able to renew existing borrowings upon expiry, or secure new borrowings from banks or other financial institutions, whether on commercially acceptable or favorable terms or not. If the banks and other financial institutions providing such existing borrowings do not continue to extend similar or more favorable facilities to us and we fail to obtain alternative borrowings on comparable terms or at all, all of our business will be adversely affected.

In addition, the degree to which we are financially leveraged could have significant consequences, including:

- requiring a substantial portion of our cash flows from operations to be used for repaying our debt, thereby reducing the cash flow for working capital, capital expenditures or other general uses;

- increasing our exposure to interest rate fluctuations;

- limiting our ability to obtain, and increasing the cost of, additional financing to fund future working capital, capital expenditures or general uses;

- limiting (to the extent our loan agreements contain such covenants) our ability to pay dividends, sell assets and conduct intergroup transfers, which may limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate.

In addition, we often have to provide performance guarantees in favor of clients to secure the performance of our obligations under contracts. Availability of performance guarantees depends on various factors, including our capitalization, working capital, existing level of borrowings, track record, management expertise and external factors such as the financial institutions' evaluation of our credit, overall market conditions and the overall financial capacity of financial institutions, some of which are beyond our control. If there is any deterioration in the foregoing, we may not be able to continue providing new performance guarantees in sufficient quantities to meet our business requirements. If our financial position deteriorates, we may also be required to provide cash collateral or other security to maintain existing performance guarantees. If this occurs, our ability to perform our projects obligations may be adversely affected.

Current or future environmental regulations or enforcement could adversely affect our business operations.

We are required to comply with a number of national and local environmental laws and regulations in the PRC that set out standards for the discharge and treatment of pollutants generated from our operations, including the Law on Prevention and Control of Pollution From Noise of the PRC (《中華人民共和國噪聲污染防治法》) and other environmental protection laws and regulations. For example, we shall take measures to control environmental pollution from construction sites and pay for the discharge of waste. In the event of serious environmental crimes occurred, we may be subject to fines and other administrative penalties and/or face challenges from obtaining or renewing the relevant licenses and permits. Law enforcement officers also have the authority to order the closure of our construction facilities if such facilities cause damages or deconstructions to the environment that we cannot remedy. We cannot assure you that we will not be subject to any fine or administrative penalty for environmental damage in the future, if any. If the fines or penalties are significant, our results of operations, financial condition and business could be adversely affected.

In addition, the PRC government and relevant government authorities may amend the environmental protection laws, regulations, policies and standards from time to time, and therefore, we may be subject to more onerous responsibilities and obligations. We may also be required to change current practices, implement enhanced compliance and internal control manuals and systems, purchase new pollution control equipment, train our employees and subcontractors, and introduce new prevention and remedy measures, to ensure compliance with relevant laws, regulations, policies and standards, which result in additional financial, human and other resources. If we fail to comply with relevant laws, regulations, policies and standards in a timely manner or at all, we may be subject to penalties and thus, our results of operations, financial condition and business could be adversely affected.

We recorded net current liabilities as of June 30, 2023 and we may not generate sufficient cash flow in the future to finance our operations or satisfy our current liabilities.

We recorded net current liabilities of RMB357.2 million as of June 30, 2023. The net current liabilities were primarily attributable to our net current assets decreased by RMB426.8 million from RMB69.6 million as of December 31, 2022 to a net current liabilities of RMB357.2 million as of June 30, 2023, which was mainly due to the increase in our short-term borrowings by RMB782.7 million from RMB2,201.3 million as of December 31, 2022 to RMB2,984.0 million and increase in our trade payables and bills payable by RMB370.4 million from RMB9,170.6 million as of December 31, 2022 to RMB9,541.0 million. For details, see "Financial Information – Selected Items of Consolidated Statements of Financial Position – Net Current Assets/(Liabilities)" in this prospectus.

We cannot assure you that we will not have net current liabilities in the future, which would expose us to liquidity risk. There could be no assurance that we will be able to obtain the necessary funding to refinance our borrowings upon maturity or to obtain new borrowings to finance our operations or capital commitments. If we incur net current liabilities in the future or if we encounter any liquidity issues in the future, our ability to make necessary capital expenditure or develop business opportunities may be restricted, and our business, operating results and financial condition could be materially and adversely affected.

Our revenue is generally non-recurring in nature, and most projects (other than PPP projects) do not generate any recurring revenue upon completion.

We mainly provide engineering contracting services in the form of projects, which are non-recurring in nature and most projects, other than PPP projects, do not generate any recurring revenue upon completion. During the Track Record Period, we only had recurring revenue after the completion of the following projects: the Taiyuan botanical garden outdoor comprehensive pipeline and facilities and equipment professional engineering project, Taigu Yangyi wind power project, general contracting project of Phase I and Phase II units of heat supply engineering project for a power generation company, and Gujiao Mining Area heating renovation energy management project. As a result, our financial performance may fluctuate over time.

PPP projects typically require significant cash outflows and feature longer payback periods and we may require substantial funding for these projects.

Based on the PPP model, private investments partner with local governments in the financing, construction, operation and maintenance of infrastructure projects and other public works.

For our PPP projects, we undertake, or jointly undertake with the government, the financing, construction, operation and maintenance of the project. As a result, if we are not able to accurately estimate the revenue to be derived from the use of the constructed facility at the bidding stage or are exposed to prolonged fluctuating economic conditions, our PPP projects may not derive profits as anticipated. In addition, PPP projects typically require us to make significant initial investment using our own cash and through external financing during the construction phase. Such investment features a longer payback period, usually up to twenty years. Due to the capital intensive and long-term nature of PPP projects, there is no assurance that we will be able to secure adequate funding on terms that are favorable and acceptable to us or at all or that these projects will achieve their initial expected returns. Our ability to source external financing and the cost of such financing are dependent on various factors, including general economic conditions, interest rates and credit availability from financial institutions. If we fail to obtain short-term or long-term project financing for such projects in the amount budgeted or at all, we may need to finance these projects from our internal resources, which may put a strain on our budget for developing or acquiring other projects and for other purposes. Additionally, we may fail to properly perform our obligations in respect of these projects as a result of a funding shortage, and this may lead to a reduction in our returns and to the loss of part of our initial capital investment, which in turn could lead to material adverse effect on our business, financial condition and results of operations.

Failure to bill and receive our contract assets, receivables under service concession arrangements and prepayments, deposits and other receivables, including the balance and provision recognised in full may affect our liquidity and financial position.

Contract assets are recognized when revenue is recognized before the Group is unconditionally entitled to the consideration in accordance with the payment terms set out in the contract (e.g. upon completion of settlement auditing). Contract assets are transferred to receivables when the right to receive consideration becomes unconditional. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our contract assets amounted to RMB3,310.4 million, RMB4,675.8 million, RMB6,332.5 million and RMB6,674.7 million, respectively.

The Group would reclassify from contract assets to receivables under service concession arrangements when PPP Projects are under operation phase. Receivables under service concession arrangements is recognized to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction rendered and/or the consideration paid and payable by the Group for the right to manage operate the infrastructure for public service. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified requirements. As at December 31, 2020, 2021 and 2022 and June 30, 2023, our receivables under service concession arrangements amounted to RMB1,048.6 million, RMB2,413.4 million, RMB2,736.4 million and RMB2,841.2 million respectively.

Our prepayments, deposits and other receivables mainly include deposits and other receivables, repayments to suppliers and value-added tax receivables. Prepayment refers to the advance payment for, including but not limited to, procuring installation parts and materials (such as steel, cement, wind turbine, photovoltaic modules, electric cable and etc.), service fees (such as prepayment for subcontracting service arrangements and labour cost, as well as consultation fees paid to professional consultants depending on type of the project involved or as agreed in the contract); whereas deposits and other receivables mainly refer to the amount paid to our customers as security deposit for our construction projects, amount due from related parties, other receivables and loans to associates. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our prepayments, deposits and other receivables amounted to RMB2,051.0 million, RMB1,983.6 million, RMB1,956.4 million and RMB1,914.7 million respectively.

There is no assurance that we will be able to bill and receive our contract assets, receivable under service concession arrangements and our prepayments, deposits and other receivables in full. Failure to bill and receive the full amount may adversely affect our results of operation, liquidity and financial position.

We face intense competition in our industry, and failure to compete effectively may cause us to lose new customers and market share.

The PRC specialized industrial construction industry is highly fragmented. Accordingly, we face intense competition from a significant number of our peers that provide services or products similar to or substitute for those that we provide. According to Frost & Sullivan, in 2022, there were over 10,000 specialized industrial construction companies in China, including approximately 500 specialized industrial construction contractors in the Shanxi Province. Some of our competitors may have operating histories, capital resources, customer bases, customer relationships, brand recognition, financial, technical, marketing and public relations resources or a wider range of services and products that are equal or potentially better than ours. As a result, some of our competitors may be better positioned than we are to develop quality services and products or to adapt to changing market trends. Our competitiveness depends on our track record of timely project delivery, a wide range of services and products as well as technological capabilities. Competitive pressures may require us to reduce our prices or increase our costs and may adversely affect our profit margins. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

In addition, as is customary in the industry in which we operate, we are awarded construction projects by our customers on a project-by-project basis and through tendering process. Accordingly, our existing customers are not obligated to award projects to us or to place new orders, and there is no guarantee that we will be able to secure new business from our customers despite the long-term relationships we have established with certain customers. As a result, our revenue and the number of projects we are able to secure may vary from period to period and it is difficult to forecast the volume of our business in the future accurately. We cannot guarantee that we will be able to secure business from our existing customers, or that we will be able to develop relationships with new customers, in which case our business, results of operations and prospects would be materially and adversely affected.

Projects we construct may not be completed on time.

Several factors may lead to material construction delays or cost overruns, including but not limited to:

- failure to obtain various regulatory approvals, licenses or permits from government agencies as scheduled;
- suspension of the construction of certain outdoor projects ordered by authorities during severe air pollution;
- shortages of key equipment, materials or labor;
- quality problems with equipment;
- unexpected construction, design, environmental or geological problems;
- influence of unexpected adverse weather;
- failure to obtain sufficient bank loans or other financing on favorable terms.

We cannot assure you that our construction projects can be completed on time. Any failure or delay during the project construction progress could result in a delay or a reduction in payment by the project owners and have a material and adverse effect on our business, financial condition and results of operations.

Our business operations are subject to epidemics, adverse weather conditions, severe air pollution, natural disasters and other operating hazards.

Most of our construction contracting services are conducted outdoors and may be materially and adversely affected by epidemics, adverse weather conditions and severe air pollution. For example, in response to the pandemic, the government may adopt a number of measures, including implementing mandatory quarantine, requiring residents to remain at home and to avoid gathering in public, and the pandemic may also result in the temporary closure of many corporate offices, retail stores and manufacturing facilities across the country. Construction sites may be required to be closed and construction projects may be suspended for an extended period of time. At the same time, we may also incur additional costs for dealing with the pandemic, such as the costs to maintain sanitation and invest in supervisory devices. The demand from our customers may fluctuate due to the pandemic, thus our business, financial condition, results of operations and prospects may in turn be affected, and may continue to be affected in the future.

Also, we may experience significant project delays caused by inclement weather, such as protracted periods of precipitation or extreme temperatures. We may also be ordered by authorities to temporarily halt certain construction projects during times of severe air pollution. These situations could result in our inability to meet key milestones set forth in the construction contracting contracts, and cause us to incur additional costs or breach of contractual obligations. In addition, natural disasters and other operating risks, such as earthquakes, floods, typhoons, landslides or fire, may interrupt our construction projects. Substantial damage caused by any of these unpredictable events or the resulting disruptions, technical or mechanical difficulties or sourcing difficulties could be costly and time-consuming to repair and may disrupt our operations. Moreover, we could be forced to suspend or abandon our construction projects, which may cause us to incur additional costs and experience delays in the schedule of our construction projects. Any significant delay or interruption could impair our ability to meet our contractual obligations and cause us to be liable for damages or cause our customers to cancel orders, any of which could negatively affect our reputation, business, financial condition and results of operations.

We may have difficulty in managing our future growth.

Our profit for the year did not achieve sustained growth from 2020 to 2022 and up to the six months ended June 30, 2023. To continue our growth, we are required from time to time to take calculated risks. The success of our business operations and the continuous growth depend on our effective management of the resulting risks by, among others:

- improving our operational, financial and management systems;
- developing comprehensive capacities of our management team;
- training, motivating and managing our employees;
- maintaining adequate facilities and equipment;
- enhancing our risk monitoring to assess the financial condition and business potential of new and existing customers;
- managing our liquidity position while committing substantial resources to market expansion, business development, and service and product development efforts;
- managing the increased complexity of and costs associated with expanded operations, which may divert our resources and require substantial capital;
- managing our international business in terms of our exposure to foreign economic and political uncertainties, including but not limited to expropriation and nationalization of our assets; civil unrest, acts of terrorism, war, or other armed conflicts; natural disasters, including those related to earthquakes and flooding; governmental actions or policies that limit or disrupt markets.

You should not consider our recent growth as indicative of our future performance. We cannot assure you that our systems, procedures, management, personnel and expertise will be adequate to support our future growth. Failure to achieve any of the foregoing, or to manage the risks and uncertainties created by measures to achieve the foregoing, could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our expansion into new geographical markets presents certain risks and uncertainties.

In order to achieve sustainable growth, we need to continue to seek development opportunities in selected regions in China and overseas with the potential for growth. We may not be able to identify geographic locations with sufficient growth potential to expand our market reach or operate our new businesses. For the geographic locations we select, we may face intense competition from companies with established experience or presence and from other companies with similar expansion plans. As we may face unprecedented challenges, we may fail to properly assess risks or take full advantage of opportunities.

Moreover, our experience in existing markets and business model may not be readily transferable to, and replicated in, new markets in our target cities. The markets in our target cities may be different from each other in terms of the local economic and industry development, extent of policies support provided by local governments, development phases of local businesses, market demand, and types of construction. We may have limited ability to leverage our established brands and reputation in new markets in the same way we have done in our existing markets. Furthermore, the administrative, regulatory and tax environments in our target cities may be different from each other and we may incur additional expenses or face difficulties in complying with new procedures and adapting to new environments in the new markets. In addition, we may have a lower level of familiarity with local governments, business practices, regulations and customer preferences compared with other local and more experienced construction contracting service providers in such cities, which may put us in a disadvantageous position.

As we continue to expand, we will have to continue to improve our managerial, development and operational expertise and policies on resources allocation. To effectively manage our expanded operations, we will need to continue to recruit and train managerial, accounting, internal audit, construction, technical, sales and other staff to satisfy our development requirements, including staff who understand the local market. In order to fund our ongoing operations and our future growth, we need to have sufficient internal capital sources or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, subcontractors, service providers and other third parties. Accordingly, we will need to further strengthen our internal controls and compliance functions to ensure that we are able to comply with our legal and contractual obligations and to reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. We may also experience difficulties in expanding our existing business and operations and training an increasing number of qualified personnel to manage and operate the expanded business.

Backlog is subject to unexpected adjustments and cancellations and, therefore, may not be indicative of our future results of operations.

Backlog in our major businesses represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog may not be indicative of future results of operations. For further details, see "Business – Business Model – Backlog and New Contract Value – Backlog". As of June 30, 2023, the unreceived contract value of our aggregate backlog for our specialized industrial construction business, specialized auxiliary construction business and other construction contracting business was approximately RMB37,760.0 million from 861 projects; whereas as of the Latest Practicable Date, we had an ending backlog value of RMB38,347.8 million from 922 projects. However, this figure is based on the assumption that our relevant contracts will be performed in full in accordance with their terms. The termination or modification of any one or more major contracts may have a substantial and immediate effect on our backlog. Also, we cannot guarantee that the amount estimated in our backlog will be realized in full, in a timely manner, or at all, or even if it is realized, such backlog will result in profits as expected. As a result, you should not rely on our backlog information as an indicator of our future earnings.

Inaccurate estimates in applying percentage-of-completion accounting for our construction contracting projects and any material discrepancies between the estimated contract costs and the actual costs ultimately incurred may materially and adversely affect our financial condition and results of operations.

We use the percentage-of-completion method to recognize and account for the turnover derived from our specialized industrial construction, specialized auxiliary construction and other construction contracting business. During the Track Record Period, in determining the percentage-of-completion for each relevant reporting period, we used the actual construction cost incurred during the period over the total estimated construction cost during the entire construction phase. Going forward, we need to estimate the amount of construction costs based on our assessment of the market conditions, the costs of raw materials and equipment and other operating costs. The timing of our recognition of turnover may differ materially from the timing of our actual receipt of contract payments. The timing of our recognition of turnover and the amount of turnover recognized are affected by our ability to reliably measure the percentage-of-completion, total estimated costs and actual costs incurred. Inaccuracies or flaws in our measurements for any given project or in our estimation methodology as a whole could have a material and adverse effect on the timing of our recognition of turnover and the amount of turnover recognized. Where our expectation related to turnover recognition is different from our previous estimation, the differences will be charged to our profit or loss account in the period when such estimate has been changed. In addition, because many of these contracts are completed over a period of several months, the timing of our recognition of the related turnover may adversely affect our results of operations.

Furthermore, certain of our contracts are fixed-price contracts, which we estimate based on a cost analysis before we enter into contracts with our customers. The bidding, contract negotiation and construction process of our construction projects limit our ability to accurately predict costs at the outset. Our contract terms therefore expose us to cost overruns as a result of factors beyond our control, including variations in labor and equipment productivity, price fluctuations of raw materials and unforeseen project conditions. The occurrence of any of such factors may result in inaccurate cost estimates, lower profits or even a loss despite any buffers we may have built into the contract value to safeguard against cost increases. Some of our contracts may have a price adjustment clause, allowing us to adjust the contract value for additional costs incurred due to a significant increase in our costs as a result of certain circumstances. In such cases, we are typically required to cover a portion of the increased costs. If our estimated costs are lower than our actual costs, or if the price adjustment does not cover our increased costs, our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to impairment losses relating to goodwill and other intangible assets, which may affect our financial condition and results of operations.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our intangible assets amounted to approximately RMB0.6 million, RMB1.4 million, RMB1.2 million and RMB1.0 million, respectively, while our goodwill amounted to approximately RMB15.0 million, RMB15.0 million, RMB15.0 million and RMB15.0 million as of each of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired and is measured at cost less accumulated impairment losses. Other intangible assets are tested for impairment whenever there is an indication that they may be impaired. Testing for impairment requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Intangible asset exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the greater of fair value less costs of disposal and the value in use. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and a suitable discount rate to calculate the present value of cash flows. There are inherent uncertainties related to these factors and our judgment in applying these factors to the assessment of goodwill and other intangible assets recoverability. In the event that our intangible assets are impaired, the amount of the impairment will constitute a non-cash expense to the profit or loss. A slowdown in revenue growth, our inability to maintain our business activities or a decrease in profit margins could result in an impairment to our intangible assets other than goodwill. We cannot assure that we will continue to maintain the same level of revenue growth, development and manufacturing activities and/or profit margins. Moreover, a change in the assumptions used in the impairment testing of intangible assets may lead to significant impairment losses. If our intangible assets are impaired, or there is a change in the assumptions used in the impairment testing of our intangible assets, our results of operations could be adversely affected.

We are exposed to potential risks associated with participation in government-directed projects.

Some of our contracts, particularly PPP project with governmental authorities or government-controlled entities, feature large infrastructure projects. Changes in government budgets for infrastructure projects of related industries or factors such as public expenditures and policy considerations, changes in governmental officials and policy makers or other political factors could result in changes or delays to these projects because most of these projects are funded by governmental authorities and public organizations.

In addition, disputes with the entities established by or managed by the government or its governmental entities could lead to contract termination if the disputes are left unresolved or may take a considerably longer period of time to resolve than disputes with our private counterparties, and payments from such entities may be delayed as a result. Such entities may from time to time require the construction methods or equipment to be changed, requiring us to reconfigure our designs or purchase additional machinery and equipment, thereby causing us to incur to additional costs. Changes to government budgets and policies relating to our projects could lead to delays in project completion or a withholding of, or delay in, payments to us. Government-controlled entities generally exercise substantial bargaining power in the performance of their contracts with us. If a local government-controlled entity terminates or fails to renew a contract, our backlog may be reduced accordingly. The occurrence of any of these risks may have a material and adverse effect on our business, financial position and results of operations. In addition, as the tendering and bidding and implementation of large-scale infrastructure projects are subject to changes in public policy considerations or public expenditure policies, if there is any adjustment to the relevant public policy approach by the government in the places where we operate, our existing or future contracts or projects with government agencies or the government-controlled entities may be affected, the revenue we recognize for such projects may be delayed or reduced, and the number and revenue of our large-scale infrastructure projects may not be maintained at the current level, which may have a material and adverse effect on our business, financial condition and results of operations.

Our net profit margin has deteriorated from the year ended December 31, 2020 to the year ended December 31, 2021 and is subject to fluctuation.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our profit for the year was RMB282.2 million, RMB188.0 million, RMB200.4 million and RMB110.2 million respectively, and our net profit margin was 2.8%, 1.4%, 1.6% and 2.1%, respectively. Such fluctuation was generally a result of our project mix and changes in our cost of construction. We cannot assure you that our net profit margin will not be subject to fluctuations in the future, and any increase on cost of sales, finance costs and administrative and other operating expenses in a magnitude higher than the increase in revenue may adversely affect our net profit margin. If there is any decrease in our net profit margins in the future, our profitability and financial condition may be adversely affected.

We are exposed to fair value change for financial assets measured at fair value through other comprehensive income ("FVOCI") and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.

We are exposed to fair value change for financial assets measured at FVOCI. As of December 31, 2020, 2021, and 2022 and June 30, 2023, our financial assets measured at FVOCI were approximately RMB135.4 million, RMB122.7 million, RMB138.8 million and RMB139.8 million. Please see "Financial Statement – Selected Items of Consolidated Statements of Financial Position – Financial Assets Measured at FVOCI" for further details.

Since the value of our financial assets depend on the investment performance of the underlying financial instruments, our investments are subject to all of the risks associated with those underlying financial instruments, including the possibility of bankruptcy of the unlisted entities. Any potential realised or unrealised losses in our investments in the future resulting from the changes in the value of the financial instruments we invested in may adversely affect our business, our results of operations and our financial condition.

The fair value of our financial assets that are not traded in an active market is determined using valuation techniques, which require judgment and assumptions and involve the use of unobservable input, such as the discount for lack of marketability. Valuation reports of the fair values are prepared by the independent valuer. Changes in the basis and assumptions used in the estimation could materially affect the fair value of these financial assets. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

We may not be able to fulfill our obligations in respect of contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our contract liabilities balance was approximately RMB1,105.3 million, RMB1,407.4 million, RMB2,166.3 million and RMB1,711.0 million, respectively. If we fail to fulfill our obligations in respect of contract liabilities, it may have a material and adverse impact on our business, reputation and liquidity position. Contract liabilities are recognized when the customers pay the consideration before we recognize the corresponding revenue. Contract liabilities will also be recognized if we have an unconditional right to consideration before the related revenues are recognized. In this case, the corresponding receivables will also be recognized. For a single contract entered into with a customer, net contract assets or net contract liabilities are presented. For multiple contracts, contract assets and contract liabilities for unrelated contracts are not presented on a net basis. For further details, see "Financial Information – Selected Items of Consolidated Statements of Financial Position – Contract Liabilities."

Changes in the relevant accounting standards applicable to service concession arrangements and changes in our judgment and assumptions in applying these accounting standards may have a material impact on our results of operation and financial positions

We apply IFRIC 12 and other relevant accounting standards to our service concession arrangements. These standards may be changed or amended from time to time in the future. Any changes in these accounting standards may result in changes in the recognition, measurement and/or classification of our revenue, expenses, assets and liabilities that could have material impact on our results of operation and financial position. Moreover, in the application of these accounting standards, we are required to make judgments, estimates and assumptions with respect to our revenue, expenses, assets, liabilities, as well as the cash flow projections of our projects. These estimates and assumptions are not readily apparent from other sources and are based on historical experience and other factors that we consider to be relevant. For more information on the accounting treatment of our projects accounted for as service concession arrangements, in particular our PPP projects, including the nature of construction revenue, operation revenue, and financial income, please refer to the sections headed "Business – Construction Investment – Public-Private Partnership Project", "Financial Information – Critical Accounting Policies, Judgments and Estimates" and "Accounting treatment for service concession project" under note 3.2 to the Accountants' Report set out in Appendix I to this prospectus. We cannot assure you that our estimates and assumptions can always be accurate. Should actual results be different from these estimates and assumptions, we may have to make necessary changes and adjustments to the relevant policies governing these estimates and assumptions, which could materially and adversely affect our results of operation and financial position.

There is a mismatch between our revenue and the underlying cash flows for our PPP projects accounted for as service concession arrangements. In addition, the business model for our PPP projects we adopt can adversely affect our financial performance and liquidity position

Our PPP Projects are mainly under BOT arrangements with the public sector entities and we recognize revenue from PPP projects during both the construction and the operational phases of the projects. However, while we recognize construction revenue for the PPP projects, we actually do not receive any cash payment for our construction services during construction phase. The actual cash inflow for our construction revenue from our PPP projects is received at a later stage during the operation phase of the relevant PPP projects over the stipulated concession periods. We had a number of PPP projects that required us to make significant initial investment using our own cash and external financing during the construction stage of the projects, which created cashflow mismatch as we can only receive payments, after completion of construction phase. If we fail to secure sufficient external financing or generate sufficient cash from our operations to finance our projects, or if our finance costs increase materially, our business, financial condition, results of operation and prospects may be materially and adversely affected.

Additionally, if the relevant project does not materialize or if the actual cash receipts in the operation stage of the project are significantly smaller than expected, we may not receive sufficient cash payments from projects for which construction revenue had been recognized. In such case, we may need to recognize impairments or write-offs in the subsequent periods for the contract assets, receivables under service concession arrangements and/or trade receivables. For more information on the accounting treatment of our projects accounted for as service concession arrangements, in particular our PPP projects, including the nature of construction revenue, operation revenue, and financial income, please refer to the sections headed "Business – Construction Investment – Public-Private Partnership Project", "Financial Information – Critical Accounting Policies, Judgments and Estimates" and "Accounting treatment for services concession projects" under note 3.2 to the Accountants' Report set out in Appendix I to this prospectus.

We cannot assure you that impairments or write-offs will not occur in future, in which case our financial condition and results of operations may be materially and adversely affected. Therefore, when reviewing our business, financial condition and results of operations, you should read our financial statements in light of the mismatch between our revenue and the underlying cash flows as a result of the accounting treatment for service concession arrangements in assessing our historical performance and prospects.

Our operating results may be significantly affected by changes in the prices and availability of raw materials.

We are vulnerable to fluctuations in market prices and the availability of our raw materials. Our principal raw materials primarily include steel and concrete. Our raw materials represent a significant portion of our cost of sales. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, raw materials cost accounted for 41.6%, 51.1%, 52.4% and 45.3% of our total cost of sales, respectively. Raw materials prices depend on a variety of factors beyond our control, including global financial conditions, the PRC economy and related government policies. We cannot guarantee that the prices of our raw materials will not rise from current levels and that our cost of sales will not increase. If we are unable to purchase any of our raw materials on terms acceptable to us or if we are not able to pass on such price increases to our customers, our profit margins may decrease and our results of operations may be materially and adversely affected. In respect of the supply of raw materials, we procure our principal raw materials from a list of qualified suppliers, all of whom are companies in the PRC. In the event of an overall increase in market demand for such materials, we cannot guarantee that we will be able to obtain our principal raw materials from our qualified suppliers in necessary amounts and in a timely manner. If our supplies are disrupted, or if one or more of our current suppliers are unable to meet our requirements for any reason, we may incur substantial costs and delays in our operations. Although we believe that alternative suppliers for our raw materials are readily available in the market, any unanticipated supply interruptions may have an adverse effect on our business, financial position and results of operations. For details, see "Financial Information – Cost Fluctuations in Construction Projects".

Fluctuations in the market price of engineering raw materials could affect our Group's profitability.

During the Track Record Period, we engaged in the sales of engineering raw materials, including concrete, wind turbine towers and construction modules. For each of the year ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue generated from trading accounted for RMB21.2 million, RMB148.0 million, RMB300.7 million and RMB79.6 million, respectively accounted for 0.2%, 1.1%, 2.3% and 1.5% of our total revenue for respective year/period.

The fluctuation in our trading income may be affected by various reasons including, inter alia, (i) change in sales volume of engineering raw materials; (ii) the benchmark price (指導價格) of the relevant engineering raw materials issued by the provincial government which will be updated from time to time; and (iii) the fluctuation in market price of the relevant engineering raw materials. Our revenue derived from trading and the profit we may derive therefrom may fluctuate depending on the market price of the relevant raw materials that we sell during the relevant period, and our profitability may thereby be affected.

The investments accounted for using the equity method and the share of results of associates would affect the Company's performance and related liquidity risk if dividends are not declared.

We have invested, and in the future, may invest, in a diverse array of businesses, technologies and ventures, and may enter into acquisitions and alliances from time to time. Such endeavors may involve significant risks and uncertainties, including distracting management from current operations, greater than expected liabilities and expenses and unidentified issues not discovered in our due diligence. These transactions also involve significant challenges and risks, particularly on the uncertain return of capital, see "Financial Information – Investment in Associates" for further details. The recoverability of our investments accounted for using equity method will be subject to uncertainty given that we only realise return upon dividend payments from these associates unless we dispose of these investments; unforeseen or hidden liabilities or additional operating losses, costs and expenses that may adversely affect us following our acquisitions or investments.

In addition, we may experience constraints on our liquidity because gains or losses from those investments do not give rise to any change in our cash position unless we dispose of the relevant assets or receive dividend payments. If no divided is declared by our associates for a long period, it may affect the Group's liquidity and results of operations.

Our construction contracting business is subject to seasonality.

Our construction contracting business is subject to seasonality. We attribute this seasonality to the effect that the winter months have on our construction operations in northern China as well as the effect of the Chinese New Year during which most of our projects and constructions are suspended, and we may need to temporarily halt certain construction projects during times of severe air pollution. Also, we may experience cost increases or delays when conducting our business operations during particular seasons. Therefore, our operating business, results and financial condition may fluctuate from period to period.

We do not possess valid title or rights to certain properties that we occupy.

For some of the land and buildings we occupy, we, or our landlords, have not yet obtained valid real estate certificates. See "Business – Properties" for details of our property defects.

We cannot predict how our rights as owner or lessee and our business, results of operations and financial position may be materially and adversely affected as a result of the absence of legal title or rights. We cannot assure you that ownership disputes or claims will not occur or that third parties will not assert any claims against us for compensation in respect of any illegally authorized use of their land or buildings.

We may be subject to fines and penalties for certain leases which had failed to register.

Pursuant to the relevant regulations in the PRC, the parties to a lease agreement are required to complete the registration procedures of the lease agreement and obtain a filing certificate for the lease. As of the Latest Practicable Date, we were unable to register certain lease agreements. For more details on lease agreements that have not been registered and filed with the relevant PRC authorities, please see "Business – Properties – Leased Properties – Building". According to the relevant PRC laws and regulations, failure to register a lease agreement does not affect the validity of the lease agreement and the legal use of the leased premises. However, the relevant government authorities may require us to file a lease agreement to complete the registration process and may impose a fine, ranging from RMB1,000 to RMB10,000 per lease agreement, for failure to register within the prescribed time limit. The maximum potential fine for such non-compliance is RMB590,000 based on the number of leased properties that have not been registered as of June 30, 2023. The implementation of the above penalties may require us to make additional efforts and/or incur additional expenses, any of which could adversely affect our business, financial condition and results of operations. The filing procedures of lease agreements we entered into requires additional steps to be taken by each of the other parties to the lease agreements, which is beyond our control. We cannot assure you that the other parties to the lease agreements will cooperate or that we will be able to complete the registration procedures for such lease agreements and any other lease agreements that we may enter into in the future.

We need to comply with the relevant laws and regulations or maintain the relevant licenses, certificates or permits.

Various aspects of our operations are subject to laws and regulations at the national and local level. We cannot guarantee that our internal control measures will always be sufficient and effective in preventing non-compliance. If deemed non-compliant, we could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our qualifications, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. As the legal systems of the place we operate and engineering installation industry continue to evolve, relevant laws and regulations or their interpretation or enforcement may be amended or changed from time to time, and we may fail to make timely adjustments to comply with relevant laws and regulations. We may also be subject to the risk of penalty due to landlord violations. For more information about our certain non-compliance with relevant laws and regulations during the Track Record Period, see "Business – Legal and Regulatory Compliance".

We operate heavily-regulated businesses that require us to obtain, maintain and renew a number of licenses, qualifications and permits. Further, we are subject to regular inspections, examinations, inquiries and audits, as well as periodic and spot inspections by the relevant governmental authorities to maintain or renew such licenses, qualifications and permits. We cannot guarantee that we will be able to obtain, maintain or renew the requisite licenses, qualifications and permits, or comply with any new licensing requirements, when new laws or regulations are promulgated or existing laws or regulations are amended, which may subject us to resulting penalties, limitations or costs and, in turn, may have a material and adverse effect on our business, financial condition and results of operations. Further, extensive government regulation and related delays in seeking the requisite licenses, qualifications and permits can significantly delay the introduction of additional services or products, which could materially and adversely affect our competitiveness.

Under PRC laws and regulations, we may be subject to additional social insurance and/or housing provident funds as well as late payment fees and penalties.

In accordance with applicable PRC laws and regulations, we are obliged to make contributions to social insurance and housing provident funds for our employees. Some of our employees may have disputes with us over social insurance and housing provident funds. In the event of such disputes, under the Social Insurance Law of the PRC, the relevant PRC authorities may require us to pay outstanding social insurance premiums within a prescribed time limit, and we shall be subject to a late payment fee equal to 0.05% of the amount of outstanding social insurance premiums on a daily basis. If we still fail to pay such fees, we may be subject to a fine of more than one time but less than three times the amount of the outstanding fees. In respect of unpaid housing provident fund contributions, under the Regulations on the Administration of Housing Provident Fund, we may be required by the relevant PRC authorities to pay the underpayment of housing provident fund within a specified time limit. If we did not make such payment as required, the people's court may issue an enforcement order against us. In such event, our financial condition and results of operations may be materially and adversely affected. See "Business-Legal and Regulatory Compliance" for details.

As the interpretation and implementation of the Labor Contract Law of the PRC, the Social Insurance Law of the PRC and other relevant labor regulations (the "**Relevant Labor Laws and Regulations**") may be amended from time to time, there is no assurance that our employment practices did not or will not violate the Relevant Labor Laws and Regulations of the PRC, which may expose us to labor disputes or government investigations. If we are deemed to be in breach of Relevant Labor Laws and Regulations, we may be required to make additional compensation to our employees, and our business, financial condition and results of operations may be materially and adversely affected.

We are involved in a shareholders dispute.

In December 2022, a former individual shareholder of the Company had initiated a litigation against the Company and two former nominee shareholders (in which Shanxi CIG is also a defendant), alleging that his equity interests in the Company had been transferred without his prior consent and that he claimed for the payment of additional dividend of the Company other than the amount of dividend which he was entitled to and settled by our Group. See "History, Development and Corporate Structure – Corporate Development – Shareholders dispute" for further details.

However, due to disputes over the proportion, amount, and legality of the transfer of Shares that is in issue, as of the Latest Practicable Date, the Plaintiff has yet to agree to sign the relevant documents and withdraw the equity transfer funds and there exists uncertainties to the outcome of the litigation. We cannot assure you that we will not be subject to further claims arising from the shareholders dispute, or that if we lose in the upcoming trial, our business prospects, results of operations and reputation would not be materially and adversely affected.

We may be involved in claims and litigations in our ordinary course of business.

We may be involved in claims and litigation in the ordinary course of our business arising from defective or allegedly defective services or products, personal injuries, damage to or destruction of property, payment disputes, breaches of contract, project delays, and other miscellaneous matters with external parties and our prior shareholder. If found liable on such claims, we would be subject to significant monetary damages, as well as find ourselves subject to government sanctions, including fines and the loss or non-renewal of operational licenses, approvals and permits. For details on outstanding legal proceedings and potential claims, see "Business – Legal and Regulatory Compliance" and "Business – Overseas Business – Issues with our Australia Project". We may be subject to lengthy and expensive legal proceedings if the dispute is not resolved through negotiations. Further, we might suffer negative publicity resulting from such claims. If any negative publicity or reputational harm is not effectively remedied or reversed, our existing or potential customers may develop negative views of the safety and quality of our services and products, which may negatively affect our ability to maintain solid relationships with our customers, engage new customers and expand into new markets. We cannot assure you that we will not be subject to future liability claims, or that if any such claims were successful, our business prospects, results of operations and reputation would not be materially and adversely affected.

We may receive claims for breach of contracts when we fail to pay our suppliers and subcontractors on time or in full

We generally procure raw materials from our suppliers and engage subcontractors for our construction projects. In order to maintain our liquidity, we would generally manage our payments to suppliers and subcontractors with reference to the cash flows derived from the instalments made by our customers. However, the turnover period of our trade receivables were generally over 130 days, mainly due to the prolonged settlement from our customers. Accordingly, we recorded a relatively long turnover period for our trade payables to our suppliers and subcontractors during the Track Record Period.

During the Track Record Period, our trade and bills payables amounted to approximately RMB4,844.5 million, RMB7,594.5 million, RMB9,170.6 million and RMB9,541.0 million and accounted for approximately 41.8%, 48.8%, 47.7% and 47.8% of our total liabilities as at December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. There is no assurance that our suppliers and/or subcontractors will not claim against us for breach of contracts in the future as a result of delay in payments, which may adversely affect our results of operations. In addition, if our suppliers cease to supply materials to us as a result of our breach of contracts, our project progress may be impeded and thus our results of operation may be adversely affected.

The recoverability of our deferred tax assets are subject to accounting uncertainties.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we recognized deferred tax assets of RMB43.0 million, RMB64.0 million, RMB100.1 million and RMB107.8 million, respectively. Based on our accounting policies, deferred tax assets are recognized in case of timing differences between the carrying amount of assets for financial reporting purpose and the amounts used for taxation purposes. The realization of a deferred tax asset mainly depends on our management's judgment as to whether sufficient future profits or taxable temporary differences will be available in the future. Management will continuously conduct review and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. If sufficient profits or taxable temporary differences are not expected to be generated or are less than expected, a material reversal of deferred tax assets may arise in future periods.

Our risk management and internal control systems may not fully protect us against various risks inherent in our business.

Since our risk management and internal control systems depend on their effective implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures strictly, and the implementation of such policies and procedures may involve human error. We are unable to guarantee that our internal control system will be effective in preventing the occurrence of corruption, bribery or other illegal or unethical activities. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

Our insurance may not be adequate to cover all risks of loss associated with our business operations.

We maintain insurance policies in accordance with the needs of our business, industry practice and the requirements set forth in relevant laws and regulations. However, we cannot guarantee that our insurance will provide adequate coverage for all of the risks we face in our business operations. During the Track Record Period, we maintained group accident insurance for our personnel onsite our construction projects. Consistent with customary practice in China, we do not maintain any business interruption or litigation insurance policies which are not mandatory according to the laws and regulations of the PRC. If we were to incur substantial liabilities that are not covered by our insurance or if we suffer protracted periods of disruption or interruption in our business operations, we would incur significant costs and losses that could materially and adversely affect our results of operations. In addition, it is possible that the occurrence of certain incidents, including earthquakes, fires, adverse weather conditions, war, floods, power outages, equipment failures, construction accidents and the consequences, damages and disruptions resulting from any of the foregoing incidents, may not be covered adequately, or at all, by our insurance. Any uninsured loss or liabilities may cause us to incur substantial costs and the diversion of resources, which could have a material and adverse effect on our operating results.

We may be involved in intellectual property disputes and claims of infringement, which may divert our management's attention and harm our reputation and profitability.

We rely upon a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property rights. As of June 30, 2023, we also owned over 750 valid patents, 17 registered trademarks, 86 domestic computer software copyrights and three domain names in China. We also possess proprietary information in connection with our operations, such as information relating to pricing, raw material procurement and construction methods. However, there can be no assurance that the steps we have taken to monitor and protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual property. Failure to successfully enforce our intellectual property rights would weaken competitiveness and harm our reputation. We believe that our trademarks are vital to our brand recognition and the success of our business, as such, we shall invest significant costs in monitoring and protecting our intellectual property.

We may be required to commence legal proceedings to strengthen protection of our intellectual property rights and protect our proprietary information. Additionally, we may also be subject to litigation involving claims by third parties that our products or services infringe their intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, or whether successful or not, can be both costly and time-consuming and may significantly reduce our resources reserved for our daily operations or other corporate usage. Unfavorable ruling in any such litigation or proceedings to which we are a party could materially and adversely affect our business, financial condition and results of operations.

Our inability to attract, retain or secure senior management and key personnel for our operations could hinder our continuing growth and success.

Our success depends, to a significant extent, on the services and efforts of senior management and key personnel and our ability to continue to attract, retain and motivate key personnel. We compete with other regional and national construction contracting companies for recruiting experienced management and qualified personnel, and the competition for such personnel is intense. There can be no assurance that we will be able to continue to attract and retain the qualified personnel who are essential for our growth. The loss of services of any employees holding important positions or possessing substantial industry expertise or experience, including those in charge of project management, risk management, production, sales and marketing, research and development, and accounting and financial management, could have a material and adverse effect on our operations. Under such circumstances, if we are unable to recruit and retain replacement personnel with the equivalent qualifications in time or at all, our growth and success could be adversely affected. For more information on our senior management, see "Directors, Supervisors and Senior Management."

We may experience failures in our information technology systems.

We rely, to a large extent, on our information technology systems for our daily operations. Our information technology systems are critical to our operations and also support our key operational processes, including project management, procurement and bidding. Our operating efficiency and risk management practices have been enhanced by such information technology systems. However, we cannot assure you that any damage or interruption caused by power outages, computer viruses, cyber-attacks from hackers, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information technology systems will not happen in the future. If any serious damage or significant interruption occurs, we may experience system errors and our operations may be disrupted. Breakdown or defects in our information technology systems may result in unwanted leakage of sensitive information and expose us to risks of claims from our clients and business partners. We may have to incur significant costs and time for recovering the information technology systems and retrieving the lost information.

We may not be able to detect and prevent bribery or other misconduct committed by our employees, subcontractors or third parties.

Bribery and other misconduct including, among others, acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our subcontractors or suppliers, in our ordinary course of business may be difficult to detect and deter and could subject us to negative publicity, litigation and harm our reputation. The precautions we take to detect and prevent these activities may not be effective in all cases, particularly as we expand into overseas jurisdictions, and our internal control system may not be effective in preventing the occurrence of corruption, bribery or other illegal activities in an unfamiliar market. We cannot assure you that any misconduct of employees or third parties, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on our business, financial position and results of operations.

Our financial results may be affected by government grants.

We received government grants of RMB7.3 million, RMB3.8 million, RMB2.1 million and RMB4.1 million for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023. Not all government grants are recurring. The government grants we may receive are uncertain and subject to certain selection criteria and procedures stipulated by local governments. In addition, the development focus of local government authorities may shift to other industries over time, and there is no guarantee that we will receive any such government grants in the future. If we fail to receive the same government grants in the future as we received during the Track Record Period, our profitability during that period may be adversely affected.

Our engagement in research and development activities may negatively affect our profitability and operating cash flow in the future, and may not achieve the results as expected.

Our technical capabilities and infrastructure are critical to our success. The industry in which we operate is rapidly evolving in technology and developing rapidly in technological innovation. Meanwhile, as we undertake a large number of projects that require new technologies, we need to allocate resources (including financial resources) for research and development to lead technological progress, which make our solutions competitive in the market. Therefore, we have always attached great importance to investing in research and development. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, our research and development costs were RMB427.3 million, RMB562.0 million, RMB678.7 million and RMB185.3 million, respectively. We expect that research and development expenditure will continue to increase in the future. In addition, research and development activities are inherently uncertain, and there may be practical difficulties in putting research and development results into commercial use. Our large amount of expenses on research and development may not create benefits accordingly. Given that technology has been and will continue to evolve rapidly, we may not be able to update technology in an efficient, cost-effective and manner, or even at all. The emergence of new technologies in our industry may render the technologies, technology infrastructure or solutions we are developing or expect to develop obsolete or unattractive, thereby limiting our ability to undertake projects and resulting in a reduction in our revenue, profitability and market share.

As the PRC economic, political and social conditions, as well as government policies are affected by the global macroeconomic, political and social conditions, such adverse factors could materially and adversely affect our business, financial position, results of operations and prospects.

The majority of the Company's operations are located in China. As such, our results of operations, financial condition and prospects are affected by the economic, political, social and legal developments in the PRC to a large extent. Over the past decades, the Chinese government has taken various measures to promote the market economy and encourage entities to establish sound corporate governance. The Chinese government also exerts significant impact on China's economic growth by strategically allocating resources, controlling the payment of foreign currency-denominated debt, formulating monetary policy and providing preferential treatment to specific industries or companies. Although the Chinese economy has grown significantly over the past few decades, it may be difficult for us to predict all the risks and uncertainties we may face, and any economic slowdown in China due to global economic conditions may reduce customers' demand for our products and services, thereby materially and adversely affecting our business and results of operations. In addition, any significant changes in PRC government policies or PRC laws could have a significant impact on the overall economic growth of China.

We may be subject to regulatory requirements on currency conversion as required by laws and regulations, which may affect our management of our business and day-to-day operations involving foreign exchange transactions, including dividend payments to our H Shares holders.

Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to conduct foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under the existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there is no assurance that these favorable foreign exchange policies regarding payment of dividends in foreign currencies will continue to be effective in the future. If we fail to obtain approval from SAFE to convert Renminbi into any foreign currency for any of the above purposes, our capital expenditure plans and our business, operating results and financial position may be materially and adversely affected.

Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises holding of our H Shares.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to our dividends paid to them and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate under Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》). Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, a withholding tax rate of 10% shall apply to the dividends paid by a company listed in Hong Kong to foreign individuals according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those which have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代 繳企業所得稅有關問題的通知》) issued by the SAT, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations may be amended from time to time, and all non-PRC resident individual holders may be subject to PRC individual income tax at a flat rate of 20%.

In addition, the PRC's tax authorities may amend the interpretation and application of applicable PRC tax laws and regulations, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends paid to non-PRC resident shareholders holding our H Shares, and on gains realized on sale or other disposition of our H Shares. The PRC's tax laws and regulations may also change. If there is any change to applicable tax laws and regulations or in the interpretation or application of such laws and regulations, the value of your investment in our H Shares may be materially affected.

The lapse of non-recurring nature of the preferential tax treatment we currently enjoy in the PRC and gains on disposal of assets of disposal group classified as held for sale could materially and adversely affect our business, financial condition and results of operations.

The general corporate income tax rate in PRC is 25%, however, eligible enterprises in certain encouraged economic sectors are entitled to various preferential income tax rates. Since 2015, several members of our Group in PRC have been subject to preferential income tax rate, see "Financial Information – Taxation" for further details.

We have also recognized a non-recurring nature of gains on disposal of assets of disposal group classified as held for sale of RMB68.1 million under other income and gains for the year ended December 31, 2020, see note 6.1 to the Accountants' Report included in Appendix I to this prospectus for further details.

The expiration or elimination of, or other adverse changes to, the non-recurring nature of the preferential tax treatment we currently enjoy and gains on the disposal of assets of disposal group classified as held for sale could adversely affect our business, financial condition and results of operation.

Under the EIT Law, we may not continue to benefit from preferential tax treatment for "high and new-technology enterprise" of the PRC. Such classification could result in unfavorable tax consequences.

Pursuant to the EIT Law, a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. Our Company and five of our subsidiaries received approval by competent government authorities to be classified as high and new-technology enterprise. During the Track Record Period, our Company and five subsidiaries of our Company, namely, Shanxi Shan'an Biquan Haimian City Technology Company Limited* (山西山安碧泉海綿城市科技有限公司), Shanxi Shan'an Maode Distributed Energy Technology Company Limited* (山西山安茂德分布式能源科技有限公司), Gaoping Xinshi Yangtian Solar Power Company Limited* (高平市鑫時陽田光伏發電有限公司), Shanxi Shan'an Bluesky Energy Conservation Technology Co. Ltd.* (山西山安藍天節能科技股份有限公司) and Shan Shan'an Lide Environmental Technology Company Limited (山西山安立德環保科技有限公司), had obtained high and new-technology enterprise certificates with the validity period of three years, respectively.

Despite being eligible for the high and new-technology enterprise rate during the Track Record Period, there is no assurance that we would remain qualified as a high and new-technology enterprise so as to enjoy the high and new-technology enterprise preferential tax rate after the expiry of the Certificate of High and New-Technology Enterprise, in which case our Group and our subsidiaries will be subject to the normal enterprise income tax rate of 25% as for all PRC enterprises. The effective tax rate will therefore significantly increase and may materially and adversely affect our profitability, which may have a material adverse effect on our business, results of operations and financial condition. Also, there can be no assurance that the EIT Law, its application or its interpretation will not continue to change, in which case our effective income tax rate may increase significantly.

RISK RELATING TO THE GLOBAL OFFERING

Possible setting of the Offer Price after making a Downward Offer Price Adjustment

We have the flexibility to make a Downward Offer Price Adjustment to set the Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the Offer Price will be set at HK$1.89 per Offer Share upon the making of a Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the Offer Price is set at HK$1.89, the estimated net proceeds we will receive from the Global Offering will be reduced to approximately HK$558.9 million, and such reduced proceeds will be used as described in "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

There has been no prior public market for our H Shares, and their liquidity and market price may be volatile. If the price of the Shares declines or fluctuates, this could result in substantial losses for investors purchasing Shares in the Global Offering.

Prior to the Global Offering, there has been no public market for our H Shares. The initial Offer Price for our H Shares to the public will be agreed by us and the Underwriters, and the Offer Price may differ significantly from the market price of the H Shares following this Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop or, if it does develop, that it will be sustained. In addition, the trading price and trading volume of the H Shares may be subject to significant volatility as a result of various factors, including but not limited to:

- variations in our operating results or differences between our operating results and those anticipated by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- announcements made by us or our competitors;
- regulatory or market changes in the PRC affecting us or the industries in which we participate;
- any business interruptions resulting from natural disasters or accidents;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;

- announcements of or completions of acquisitions, strategic alliances or joint ventures by us or our competitors;
- additions to, or departure of, our key personnel;
- release or expiration of lock-up or other transfer restrictions on our Shares;
- liability claims brought against us;
- involvement in litigation; and
- general political, economic, financial, social development and stock market conditions and other factors.

Moreover, in recent years, stock markets in general, and the H shares issued by other issuers in the PRC and listed on the Stock Exchange, have both experienced price and volume fluctuations, some of which were unrelated or did not fully correspond with the operating performance of the relevant companies. These broad market and industry fluctuations may materially and adversely affect the market price of our H Shares in a similar manner.

There will be a time gap of several business days between pricing and the commencement of trading of our H Shares offered under the Global Offering.

The Offer Price of our H Shares sold to the public under the Global Offering will be determined on the Price Determination Date. However, trading of our H Shares on the Stock Exchange will not commence until they are delivered, which is expected to be several business days after the Price Determination Date. During that period, investors of our H Shares may not be able to sell or otherwise deal in our H Shares. Accordingly, holders of our H Shares may be subject to the risk that our H Share trading price could fall before trading begins as a result of adverse market conditions or other unfavorable circumstances that may arise during the period between the Price Determination Date and the date on which the dealing begins.

Future sales or a major divestment of Shares by any of our Shareholders could materially and adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by any one of our Shareholders could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although the Controlling Shareholder has agreed to a lock-up of its Shares, any major disposal of our Shares by the Controlling Shareholder upon expiry of the relevant lock-up periods or the perception that these disposals may occur may cause the market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

Potential conversion of Domestic Shares into H Shares may result in an increase in the number of H Shares available in the market, which in turn affects the price of H Shares.

Subject to approval by the CSRC, Domestic Shares may be listed or traded on an overseas securities exchange. Any listing or trading of the abovementioned Shares on an overseas securities exchange shall also comply with the regulatory procedures, rules and requirements of the relevant overseas securities exchange. Unless otherwise required by the overseas securities exchange, there is no requirement for the listing and trading of the above-mentioned Shares to be approved in a class meeting of our Company. For details, see "Share Capital – Conversion of Our Domestic Shares into H Shares." Potential conversion of a substantial amount of Domestic Shares into H Shares could further increase the supply of H Shares in the market and could have a material and adverse impact on the market price of H Shares.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

A declaration of dividends is proposed by our Board of Directors and the amount of any dividends distributed depends on various factors, including, without limitation, our results of operations, financial position, future prospects and other factors which our Board of Directors may deem important. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

Facts and other statistics in this prospectus derived from official government publications or public database sources may not be fully reliable.

This prospectus, particularly the "Industry Overview" section, contains information and statistics, including, but not limited to, information and statistics relating to the PRC, the PRC economy and the construction contracting and real estate industries in the PRC. Such information and statistics have been derived from various official government publications and other publications, and from a third-party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information from official government sources has not been independently verified by us, the Joint Sponsors, any of our or their respective directors, officers or representatives or any other person (excluding Frost & Sullivan) involved in the Global Offering, and no representation is given as to its accuracy. We cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy, as the case may be, as that in other jurisdictions.

Potential investors will experience immediate dilution as a result of the Global Offering.

Investors will pay a price per Share that exceeds the per Share value of the tangible assets after subtracting the total liabilities, and will therefore experience immediate dilution when they purchase the Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, investors purchasing Shares in the Global Offering would receive less than they paid for their Shares. See "Appendix II – Unaudited Pro Forma Financial Information".

You should read the entire prospectus carefully and we strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering.

There has been coverage in the media regarding to us and the Global Offering. We do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that (i) our Group's principal business and operations are located, managed and conducted in the PRC through our PRC operating subsidiaries; (ii) none of our executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong; and (iii) our executive Directors will continue to be based in the PRC after the Listing to manage our business, our Company does not, and will not, in the foreseeable future, have a sufficient management presence in Hong Kong as required under Rules 8.12 and 19A.15 of the Listing Rules. Further, it would be impractical and commercially unnecessary for our Company to appoint additional executive Directors who are ordinarily residents in Hong Kong or to relocate its existing PRC based executive Directors to Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular and effective communication with the Stock Exchange:

(i) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorized representatives of our Company are Mr. Wang Limin, our chairman and an executive Director and Mr. Zhang Xiaodong, one of our joint company secretaries (the "**Authorized Representatives**"). Each of the Authorized Representatives will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email. Each of the Authorized Representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

(ii) each of the Authorized Representatives has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the Authorized Representatives and our Directors, we have provided the Stock Exchange with the respective office phone number, mobile phone number, facsimile number and email address of each Director and Authorized Representative. In the event that a Director expects to travel or is out of the office, he/she will provide the phone number of the place of his/her accommodation or other means of communication to the Authorized Representatives;

(iii) our Directors, who are not ordinarily resident in Hong Kong, possess or can apply for valid travel documents to visit Hong Kong and are able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice;

(iv) we have, in compliance with Rules 3A.19 and 19A.05(2) of the Listing Rules, appointed Shanxi Securities International Capital Limited as our Compliance Advisor who will, among other things, in addition to the Authorized Representatives, act as additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor will have full access at all times to the Authorized Representatives, our Directors and other officers as prescribed by Rule 19A.05(2) of the Listing Rules, who will act as the additional channel of communication with the Stock Exchange when the Authorized Representatives are not available; and

(v) we have provided the Stock Exchange with the names, mobile phone numbers, office phone numbers and email addresses of at least two officers of the Compliance Advisor who will act as the Compliance Advisor's contact persons between the Stock Exchange and the Company pursuant to Rule 19A.06(4) of the Listing Rules.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirements under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Zhang Xiaodong as one of the joint company secretaries. Mr. Zhang has experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, thus may not be able to fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Chan Sze Ting, a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and an Associate of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly The Hong Kong Institute of Chartered Secretaries (HKICS)) and The Chartered Governance Institute (CGI) (formerly The Institute of Chartered Secretaries and Administrators (ICSA)) in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. Ms. Chan will provide assistance to Mr. Zhang for an initial period of three years from the Listing Date to enable Mr. Zhang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Both the Compliance Advisor and the Hong Kong legal advisors of our Company will assist Mr. Zhang in relation to Hong Kong corporate governance practices and regulatory compliance, ongoing compliance obligations under the Listing Rules and the applicable laws and regulations as and when required. In addition, Mr. Zhang will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of a PRC issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that we engage Ms. Chan, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Mr. Zhang in discharging his duties as a joint company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules. Such waiver can be revoked immediately if there are material breaches of the Listing Rules by our Company pursuant to Guidance Letter HKEx-GL108-20.

Before the expiration of the initial three-year period, the qualifications of Mr. Zhang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. It is expected that Mr. Zhang will be able to fulfill all the requirements stipulated at the end of the initial three-year period.

CONTINUING CONNECTED TRANSACTIONS

Our Group entered into and is expected to continue with certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules, following completion of the Listing. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions. For details, please refer to "Continuing Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors, including any proposed Director who is named as such in this Prospectus, collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Cap 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading or deceptive.

CSRC APPROVAL

We have obtained an approval letter from the CSRC for the Global Offering and the making of the application to list the H Shares on the Stock Exchange dated November 25, 2022. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus.

INFORMATION ON THE GLOBAL OFFERING, STRUCTURE OF THE GLOBAL OFFERING AND PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein and the **GREEN** Application Form must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Capital Market Intermediaries, any of the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering.

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our right to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in this prospectus. If it is intended to set the Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

Neither the delivery of this prospectus nor any offering, sale, delivery, subscription or acquisition made in connection with the Offer Shares shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for the Hong Kong Offer Shares is set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the **GREEN** Application Form.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her/its acquisition of Hong Kong Offer Shares to, confirm that he/she/it is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares outside Hong Kong or the distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following this prospectus and/or the **GREEN** Application Form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription.

The distribution of this prospectus and/or the **GREEN** Application Form and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement.

The International Underwriting Agreement in relation to the International Offering is expected to be entered into on or around Monday, November 20, 2023. For further details on the Underwriters and the underwriting arrangements, see the section headed "Underwriting".

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, November 22, 2023. Except as otherwise disclosed in this prospectus, no part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar. Our principal register of members will be maintained by us at our headquarters in the PRC. Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder. According to the Guide to the Program for "Full Circulation" of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations to arbitration, where applicable, in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, senior officers whereby such Directors, Supervisors, senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Listing Rules) of any of the Directors, Supervisors or an existing Shareholder of the Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars, Euro and Australian dollars. Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.9172; Renminbi into Euros at the rate of RMB1.00 to EUR0.1297 and RMB1.00 to AUD0.2143. No representation is made that any amounts in RMB or Hong Kong dollars or Euro or AUD can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

Name	Residential address	Nationality
DIRECTORS		
Executive Directors		
Mr. WANG Limin (王利民)	1-1-2201, Wanke Golden International Changfengxi Street Wanbailin District Taiyuan, Shanxi PRC	Chinese
Mr. REN Rui (任鋭)	501, Unit 3 Block 5, Jialongming Estate Pingyangnan Road Xiaodian District Taiyuan, Shanxi PRC	Chinese
Mr. ZHANG Yan (張琰)	Room 2201, Unit 4 Building 1 Guoruiyuan Estate 101 Pingyang Road Taiyuan, Shanxi PRC	Chinese
Non-executive Directors		
Mr. XU Guanshi (徐官師)	2-1-1501 Lidayuan Community Huagong Road Xinghualing District Taiyuan, Shanxi PRC	Chinese
Mr. ZHANG Hongjie (張宏杰)	9-1-601 No. 200, Tiyu South Road Xiaodian District Taiyuan, Shanxi PRC	Chinese

Name	Residential address	Nationality
Mr. MU Jianwei (慕建偉)	Room 307, Unit 3 Block 5, Zhongjing Garden 5 Dawang Road Wanbailin District Taiyuan, Shanxi PRC	Chinese
Mr. FENG Cheng (馮成)	3-5-503 No. 39, Fendong South Road Xiaodian District Taiyuan, Shanxi PRC	Chinese
Independent non-executive Directors		
Mr. WANG Jingming (王景明)	Room 301, 3/F, Block 1 Guanghua Pavilion Xicheng District Beijing PRC	Chinese
Professor WU Qiusheng (吳秋生)	Room 306, Doctor Building 140, Wucheng Road Taiyuan, Shanxi PRC	Chinese
Ms. SHIN Chuck Yin (單婥然)	Flat B, 15/F, Block 1 The Belcher's 89 Pokfulam Road Hong Kong	Chinese
Mr. Guo He (郭禾)	A7-4-802 Li City, Sijichun Town Haidian District Beijing PRC	Chinese

Name	Residential address	Nationality
SUPERVISORS		
Mr. SHI Meng (石孟)	701, Unit 4, Block 8 Yufeng Garden 200, Tiyunan Road Taiyuan, Shanxi PRC	Chinese
Mr. CAO Haiyang (曹海洋)	No. 3-9, Building 82 107, Bingzhounan Road Xiaodian District Taiyuan, Shanxi PRC	Chinese
Ms. ZHANG Caixia (張彩霞)	501, 5/F, Unit 5 South Inner Ring Street Xiaodian District Taiyuan, Shanxi PRC	Chinese

Please see "Directors, Supervisors and Senior Management" of this prospectus for further information of our Directors and Supervisors.

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The information contained in this section and elsewhere in this prospectus have been extracted from various official government publications, available sources from public market research and other sources from independent suppliers, and from the independent research report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare an independent industry report in connection with the Global Offering. The information from official government sources has not been independently verified by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters or any of our or their respective directors and advisers, or any other persons or parties (excluding Frost & Sullivan) involved in the Global Offering, and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on specialized industrial construction and specialized auxiliary construction market in the PRC. The report prepared by Frost & Sullivan for us is referred to in this listing document as Industry Report. We agreed to pay Frost & Sullivan a fee of RMB283,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Industry Report in this listing document because we believe this information facilitates an understanding of the specialized industrial construction and specialized auxiliary construction market in the PRC for the prospective investors. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the specialized industrial construction and specialized auxiliary construction market in the PRC. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Industry Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the specialized industrial construction and specialized auxiliary construction market in the PRC.

OVERVIEW OF THE SPECIALIZED INDUSTRIAL CONSTRUCTION AND SPECIALIZED AUXILIARY CONSTRUCTION INDUSTRY IN THE PRC AND SHANXI PROVINCE

Definition and Classification

- Specialized industrial construction mainly includes power engineering (thermal power generation, new energy wind power generation, new energy photovoltaic power generation, new energy geothermal power generation, hydrogen power generation, power transmission and transformation); petrochemical engineering (oil and gas storage and transportation, petrochemical engineering, chemical engineering, pharmaceutical and chemical engineering); electromechanical installation engineering; metallurgical engineering (glass, coking, cement, non-ferrous metal, ferrous metal smelting, carbon, electrolytic aluminum, electrolytic copper, etc.); water conservancy and hydropower engineering (water conservancy engineering, hydropower engineering, pumped storage); urban rail transit engineering; mine engineering (coal mines, iron ore, aluminum ore, copper ore, etc.). Specialized industrial construction also includes services such as investment and construction, design consulting, construction, operation and maintenance for these specialized industrial construction.

- Specialized auxiliary construction refers to the design, consultation, construction and operation and maintenance services of municipal public works such as urban roads, bridge projects, heat, water supply, gas supply and communication engineering projects. Specialized auxiliary construction projects mainly include standardized workshops, heating, pipeline network, sewage, agriculture and road works.

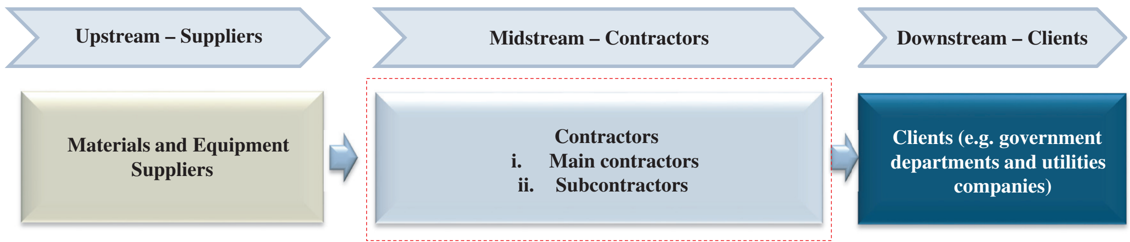
Value Chain

The value chain of specialized industrial construction and specialized auxiliary construction market mainly consists of upstream suppliers, midstream contractors and downstream clients.

In general, downstream clients will initiate construction projects and invite tenders from contractors. For example, as specialized industrial construction refers to construction of facilities of all kinds performed at construction sites. It includes power engineering, petrochemical engineering, electromechanical installation engineering, metallurgical engineering, water conservancy and hydropower engineering, urban rail transit engineering mine engineering and other associated facilities, etc., customers then can be from various industries, for instance, government departments and utilities companies.

Midstream contractors are mainly responsible for providing construction services with necessary machinery, labor and expertise for the projects. The main contractors may also engage sub-contractors to carry out specialized works, such as excavation and boring, for better resources management and extended working capability.

Both main contractors and subcontractors will be responsible for worker recruitment, procurement of materials and equipment required for the construction projects from suppliers.



The Group undertakes projects in the capacity of both main contractor and subcontractor and is regarded as midstream contractors.

Total Output Value of Construction Industry in the PRC

During 2017 to 2022, the construction industry in the PRC experienced a solid growth on the basis that (i) the increasing investment in real estate sector; (ii) the continuous expansion of production scale of construction enterprises and (iii) the regular demand for repair and renewal of buildings. Thus, the total output value of construction industry in the PRC increased rapidly from RMB21,394.4 billion in 2017 to RMB31,198.0 billion in 2022, representing a CAGR of 7.8% during the period. Going forward, the expedited infrastructure development in the PRC will be the major impetus driving the growth of output value of construction industry and reaching RMB40,777.6 billion by 2027, representing a CAGR of 5.6% from 2023 to 2027.

Market Size of Specialized Industrial Construction in the PRC

The specialized industrial construction generally consists of constructions related to new energy, petrochemical, fine chemical, etc. Such related construction works require a high level of expertise to design, execute, procure in order to fulfill relevant requirement. The market of specialized industrial construction by total output value in the PRC experienced solid increase with a CAGR of approximately 8.7% during 2017 to 2022, attributed by (i) substantial growth of new energy industry and (ii) strong demand for related energy associated with significant national economic development. Moving forward, the total output value of specialized industrial construction in the PRC will grow continually with a CAGR of 8.0% during 2023 to 2027. The future growth of output value of specialized industrial construction is primarily due to the focus of green development mentioned in the Outline of the 14th Five-Year Plan. It is stated that the green production and green living are to be widely adopted, with carbon emissions steadily declining after reaching a peak, and fundamental improvements made to the environment. As such, the new energy industry will be promoted, as well as related specialized industrial construction.

Market Size of Specialised Industrial Construction by Total Output Value (The PRC), 2017-2027E

Source: National Bureau of Statistics of China, Frost & Sullivan

Market Size of Petrochemical Industry Works in the PRC

Outlined in the "China Petroleum and Chemical Industry Economic Operation Report"《2022年中國石油和化學工業經濟運行報告》, the petrochemical sector in the PRC has developed steadily, with the total production of crude oil increased from 191.51 million tons in 2017 to 205.0 million tons in 2022, representing a CAGR of approximately 1.4%, while the production of natural gas has increased at a CAGR of 7.9% from 14.9 million m^3 in 2017 to 21.8 million m^3 in 2022. Against this backdrop, the demand for associated specialized industrial construction has been propelled, the market size of petrochemical industry works in the PRC has increased from RMB1,433.4 billion in 2017 to RMB2,033.0 billion in 2022 at a CAGR of 7.2%.

Going forward, underpinned consistent Government effort in providing financial assistance and policies direction, as well as maintaining pricing mechanism and supporting industry innovativeness, the petrochemical industry in the PRC is expected to grow towards concepts including eco-friendliness, low carbon emission, digitalization and closer strategic collaboration, where industrial equipment installation shall develop continuously to cater to the evolving trend of the downstream industry. Throughout the recent years, the PRC Government is active in underpinning the petrochemical industry with policy directions sets out in proposals such as the "Petrochemical Industry Planning and Layout Plan"《石化產業規劃佈局方案》, it is expected the total market size of petrochemical industry works in the PRC would spike RMB2,688.4 billion by 2027, representing a CAGR of 5.9% during 2023 to 2027.

Market Size of New Energy Industry Works in the PRC

The PRC's new energy sector is growing following the transition towards a service-based economic mode which places the emphasis on electricity, natural gas and cleaner, high-efficiency and digital technologies. Market size of new energy industry works by total output value in the PRC increased from RMB1,775.7 billion in 2017 to RMB2,831.9 billion in 2022, at a CAGR of 9.8%.

Benefited from the supportive government policies, namely the New Energy Law of the People's Republic of China, growing energy needs in the PRC and increasing investment in new energy, market size of new energy industry works by total output value in the PRC is expected to reach RMB4,501.8 billion in 2027, at a CAGR of 9.7%.

Market Size of Construction Works for New Energy Industry by Total Output Value (The PRC), 2017-2027E

Source: National Bureau of Statistics of China, Frost & Sullivan

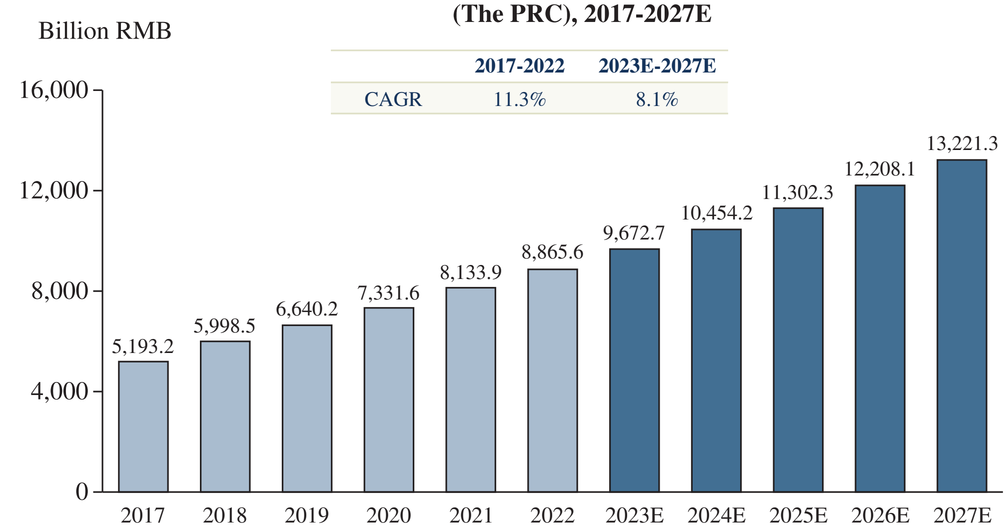
Market Size of Specialized Auxiliary Construction Industry Works in the PRC

Specialized auxiliary construction mainly includes the urban road, power supply, water supply, as well as transportation infrastructures such as the highways, railways, bridges and other transportation infrastructure.

Specialized auxiliary construction generally plays an important role of the development of infrastructure construction, its construction in various fields including but not limited to rail transit, heating, pipe network, sewage and road. Associated with (i) the rapid progress of the PRC's urbanization process over the past few years, (ii) the Chinese government's growing investment in fixed assets of specialized auxiliary construction, the total output value of specialized auxiliary construction in the PRC registered stable growth during 2017 to 2022, increasing from RMB5,193.2 billion to RMB8,865.6 billion with a CAGR of 11.3% and (iii) supportive government policies. As supported by the "Plan for New Urbanization and Integrated Urban-Rural Development in 2021" 《2021年新型城鎮化和城鄉融合發展重點任

務》released in April 2021 which further promoted urbanization in the PRC, in particular, the specialized auxiliary construction of new urbanization with the county as an important carrier, the market size of specialized auxiliary construction industry in the PRC is anticipated increase with a CAGR of approximately 8.1% from 2023 to 2027. Moving forward, along with (i) the continuous development of the PRC's economy and (ii) the substantial promotion of infrastructure construction, the specialized auxiliary construction industry is forecasted to grow steadily in the foreseeable future.

Market Size of Specialized Auxiliary Construction by Total Output Value (The PRC), 2017-2027E



Source: National Bureau of Statistics of China, Frost & Sullivan

Market Size of Specialized Industrial Construction in Shanxi Province

Aligned with the robust growth of the total output value of specialized industrial construction in the PRC, the total output value of specialized industrial construction in Shanxi Province witnessed exponential increase with a CAGR of 13.0% from 2017 to 2022. Such rapid increase is mainly due to the boom of new energy industry. Looking forward, the total output value of specialized industrial construction in Shanxi Province will maintain its prosperous growth and increase with a CAGR of 11.9%. In 2022, the total output value of specialized industrial construction in Shanxi Province accounted for 3.3% of the overall market in PRC.

Market Size of New Energy Industry Works in Shanxi Province

Shanxi Province has stepped up the development of new energy over the past five years in a bid to reduce its heavy reliance on coal. The total installed power generating capacity in Shanxi Province had reached 113.4 GW by the end of 2021, up 48.4% from the level at the end of 2016, according to the State Grid Shanxi Electric Power Co. Ltd. Accordingly, the market size of new energy industry works by total output value in Shanxi Province increased from RMB50.7 billion in 2017 to RMB96.6 billion in 2022, at a CAGR of 13.8%.

Shanxi is the PRC's first pilot province for comprehensive energy revolution reforms and is in the transition to a low-carbon energy structure, aligning itself with the country's goal to peak carbon emission by 2030 and reach carbon neutrality by 2060. Going forward, Shanxi will strengthen policy support and make good use of the market to form an advanced industrial chain including hydrogen production, storage, transportation, filling and adaptation. It is expected that hydrogen energy will grow into a pillar industry in Shanxi. With increasing investment in hydrogen, wind and solar energy development, the market size of new energy industry works by total output value in Shanxi Province is expected to reach RMB178.2 billion by 2027, at a CAGR of 13.3% from 2023 to 2027. In 2022, the total output value of New Energy Industry Works in Shanxi Province accounted for 3.4% of the overall market in PRC.

Market Size of Specialized Auxiliary Construction Industry in Shanxi Province

Attributed by (i) the government policy on promoting work of old area renovation, in particular, to upgrade the public utilities such as gas, electricity, drainage, heating and other supporting infrastructures; (ii) the intensive investment on infrastructure development in Shanxi Province and (iii) the mega projects, for instance, South-North Water Transfer Project which costs at around RMB500 billion and passes through six provinces including Shanxi Province, the total output value of specialized auxiliary construction in Shanxi Province witnessed extensive increase during 2017 to 2022, increasing from RMB57.3 billion to RMB99.2 billion with a CAGR of 11.6%. Underpinned by the strong government effort on facilitating urbanization, the demand for related infrastructure will increase accordingly as well as the output value of municipal utilities works. It is expected the output value of specialized auxiliary construction in Shanxi Province will increase with a CAGR of approximately 9.6% from 2023 to 2027. In 2022, the total output value of Specialized Auxiliary Construction in Shanxi Province accounted for 1.1% of the overall market in PRC.

Market Size of Petrochemical Industry Works in Shanxi Province

Owing to the thriving development in recent years attributable to the downstream demand, the market size of petrochemical industry works in the Shanxi Province has increased from RMB36.4 billion to RMB62.3 billion during 2017 to 2022.

Going along with the policies directions outlined by the PRC Government, and according to *Shanxi Province "Fourteen Five" industrial development planning* (《山西省"十四五"產業發展規劃》) and *Implementation Plan for Accelerating the Development of New Materials Industry in Shanxi Province* (《山西省加快推進新材料產業發展實施方案》) the carbon neutral policy is expected to promote the petrochemical industry in Shanxi to develop towards initiatives including low-carbon emission, green, high-end and differentiated proposition. In view of the policies directions of zero-carbon emission, the development of carbon-based materials for uprising industries such as carbon fiber and graphene serve as an important foothold for the transformation and development of the petrochemical industry in the Shanxi Province. Going forward, propelled by the gradual transformation towards high-end petrochemical production, the market size of petrochemical industry works in the Shanxi

Province is expected to attain RMB103.1 billion in 2027, representing a CAGR of approximately 10.5%. In 2022, the total output value of Petrochemical Industry Works in Shanxi Province accounted for 3.1% of the overall market in PRC.

Key Market Drivers

Favorable government policies

The specialized industrial construction market along with construction industry in the PRC has been underpinned by various governmental policies over the recent years. In March 2021, the PRC Government promulgated "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要), where it attached importance in the development of traditional and new infrastructure and build energy system, as well as to facilitate a coordinated and characteristic development of large, medium and small cities and small towns by optimizing the use of megalopolises and metropolitan areas to enable more people to enjoy better quality of life in cities. Specialized industrial construction and specialized auxiliary construction serving as the fundament of various industrial facilities, civil engineering structures and public utilities shall be continuously propelled in terms of new construction projects as well as maintenance and renovation of existing facilities and structures. As a result, such favorable policies would provide a positive growth impetus to the specialized industrial construction and specialized auxiliary construction market in the PRC.

Acceleration of urbanization

According to the National Bureau of Statistic of China, the urbanization rate of the PRC has reached 64.7% in 2022. "The PRC government recently unveiled "Plan for New Urbanization and Integrated Urban-Rural Development in 2021" (《2021年新型城鎮化和城鄉融合發展重點任務》) in April 2021 which outlined the orderly and effective urbanization of migrant populations from rural areas. Accordingly, it is anticipated that the urbanization rate in the PRC is likely to increase stably and would be more than 71% by 2026. With the increasing urban population in the coming years, the demand for infrastructure development, such as new energy power plant, pumping, pipeline and drainage system, petrochemical and other industrial facilities, as well as transport facilities, will increase and hence driving the growth of the specialized industrial construction and specialized auxiliary construction market in the PRC.

Surging demand for electricity

Due to the rapid pace of manufacturing activities, expedite economic development and climatic instability across the country in recent years, electricity consumption has continuously reached new highs in recent years, which caused a significant increase in electricity loads. In view of the circumstance, the Government has stepped up effort in boosting power transmission across regions to meet the booming demand. Further, in 2020, new energy was listed as the energy development priority in the first draft of the Energy law of the People's Republic of China. In the same year, the PRC Government set out the "Developing High-Quality Energy in the New Era" (《促進新時代新能源高質量發展的若干政策》) in order to propose alternative measures to source electricity such as solar, nuclear and wind power. For instance, the offshore wind power installed in the PRC reach 28.6 GW in 2022. In the long run, the surging electricity consumption, coupled with government initiatives, would boost the investment in traditional and alternative electricity supply facilities, which in turn increase the demand for new energy works in the PRC.

Steady development of infrastructure

Apart from power station and electricity system, in order to cater the rapid development of urban area, the PRC Government has also stressed importance in facilitating the logistics efficiency across the nation, which has also driven the development of various transportation infrastructure such as highway, railway and subway to support the policy. According to National Bureau of Statistics, the aggregated investment amount of infrastructural development projects in 2021 has recorded annual growth rate of 0.4%. Accordingly, the market demand for specialized auxiliary construction in the PRC is spurred continually.

Development Trend

Increasing awareness on green and sustainable building

The PRC government has issued "the 13th Five-Year Plan for Building Energy Efficiency and Green Building Development" (《建築節能與綠色建築發展"十三五"規劃》) which has outlined the promotion of energy efficient building technologies, as well as the development of green building. During 2020 and 2021, the PRC government has promulgated the Green Building Label Management Measures (《綠色建築標識管理辦法》) and Green Building Initiative Program (《綠色建築創建行動方案》) in implementing the objectives to have 70% of the urban buildings and structures to be categorized into green building. As the design of green and sustainable building is increasingly incorporated in the electrical installation, pipeline and equipment installation in buildings and other crucial facilities such as new energy and power plants, various metrics such as air quality, thermal environment, light environment, and acoustic environment are covered in the planning of construction projects to attain an environment with higher energy and water efficiency, better air quality, sustainability with lower operation cost.

Adoption of building information modeling in construction

Building Information Modeling (BIM) works as a cutting-edge 3D modeling and visualization tool to efficiently handle conceptual design, design development, rendering, and documentation for underlying electrical and mechanical system, façade, interior of various types of building and infrastructure such as residential buildings, civil engineering structures, public utilities. The time effectiveness, clarity and transparency of the BIM keeps workers, managers, and stakeholders on the same page, which has become a trending technology adopted by market players. The specialized industrial construction and specialized auxiliary construction market sees major progress in assimilating the technology into engineering fields of electrical installation as well as pipeline and equipment installation, facilitating the application of building technology in the whole construction project.

Development of the EPC model in the PRC

The EPC model refers to a model that the construction company undertakes the construction project during a whole construction process (including engineering, procurement, construction and commissioning) or its several phases. It is widely accepted that EPC model is capable to optimize the project efficiency through overall coordination and resource allocation of the project. The Chinese Government has been promoting the development of the EPC model for several years. In 2016, the Ministry of Housing and Urban-Rural Development (MOHURD) issued the Opinions on Further Promoting the Development of EPC (關於進一步推進工程總承包發展的若干意見), which proposed that the development organizations should give priority to the EPC model when selecting the contracting model of the construction project. In 2017, the MOHURD also issued the National Standard Code for General Contracting Management of Construction Projects (建設項目工程總承包管理規範國家標準) which has standardized the EPC construction standard to accelerating the promotion process of EPC projects in PRC.

Market Opportunities

Advocacy of prefabricated buildings and increasing technology adoption

The term "prefabricated building" refers to a building which is constructed by assembling all its prefabricated construction parts at the construction site. The PRC government outlined "the Fourteenth Five-Year Plan" action plan for construction industry"《"十四五"建築業發展規劃》in 2022, with an objective to boost the total number of prefabricated to reach at 30% for new buildings. The development of refabricated buildings serves as an important step for advancing the structural reform of the supply side and the development of new-type urbanization which helps to save resources and energy, reduces the pollution caused by construction activities, improves the labor productivity and the quality safety, promotes the in-depth integration of the construction industry. In addition, the various applications and technologies are widely used to enhance the overall quality of the construction works. As set out in the policy, standardized design, industrialized production, integrated decoration, information-based management and intelligence-based application are embraced to improve the technical level and the project quality. As such, service providers that are able to cater to the growing opportunity, shall garner competitive edge.

Promotion of pumped storage development

Accelerating the development of pumped storage is crucial for the safety and stability of power systems. Since 2011, supportive policies for the development of pumped storage industry have been released. To reduce carbon emissions, large-scale development of new energy, including pumped storage is proposed in the "14th Five-Year Plan" and the "Outline of Vision 2035", which targets to construction of pumped storage power plants and the large-scale application of new energy storage technologies. In September 2021, the National Energy Administration issued the "Medium and Long-term Development Plan for Pumped Storage (2021-2035)", which proposed that, by 2025, the total scale of pumped storage commissioning would double compared to the 13th Five-Year Plan, reaching more than 62 million kilowatts; by By 2030, the total scale of pumped storage commissioning will be doubled compared to the 14th Five-Year Plan, reaching about 120 million kilowatts.

Rising trend in integration of investment, construction and operation in the private sector

The private sector is increasingly adopting an operational model that combines investment, construction, and operation. Private entities are partnering with others in the private sector to invest in and construct privately-owned facilities, aiming to generate profits through their operation. This integrated model has gained popularity, especially for projects requiring significant upfront capital investment, such as new energy ventures. Industry players specializing in different stages of the value chain collaborate to establish joint ventures that hold the project facilities. Through this cooperation and pooling of resources, they leverage synergies to efficiently construct the facilities. For example, companies specializing in construction materials can supply the necessary raw materials, while qualified construction firms can oversee the project's coordination. Once the facility is complete, the project company can generate revenue by operating it, such as through electricity sales from a wind power farm. Additionally, as equity owners of the project company, enterprises can generate investment income. The integration of investment, construction, and operation enables a streamlined and coordinated approach to project development. By entrusting a single entity or consortium with the entire project lifecycle, better coordination and communication can be achieved across different stages. This, in turn, leads to increased efficiency, fewer delays, and cost savings.

Market Challenges

Rising operation cost

Specialized industrial construction market in the PRC is considered to be a labor-intensive industry with certain advanced skill sets and pre-requisite licenses required. In recent year, the wages of construction workers in the PRC have been rising steadily at a CAGR of approximately 7.8% during 2016 to 2021. While the staggering demand for construction project is continuously growing, the number of workers in the construction industry has declined at a CAGR of -4.9% during 2016 to 2021, facing likely a shortage of labor.

Reliance on policies and economic cycles

The specialized industrial construction industry is highly correlated to the macro economy environment and implementation of government policies. The demand for specialized industrial construction and specialized auxiliary construction industry is also driven by the planning and budget of various government departments, which encompasses land supply, property development and renovation. The macro economy is another pivotal factor which impacts the general consumption from different sectors during economic cycles. For instance, the outbreak of the COVID-19 has led to temporary closure of construction sites, which adversely impacted the overall growth of the industry.

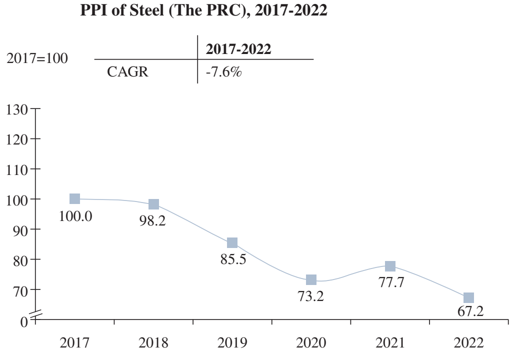
COST STRUCTURE ANALYSIS

Raw Materials

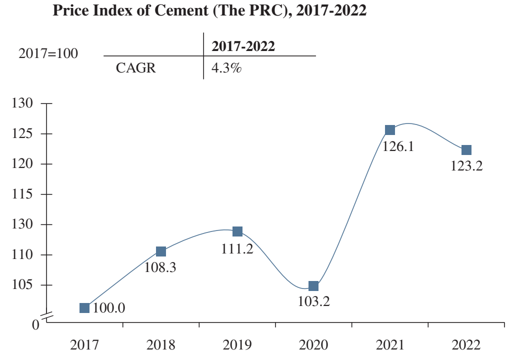
The principal raw materials used in the construction industry primarily include steel and cement. The price of steel has declined due to the outbreak of COVID-19 and economic instability, which resulted in temporary shrinking growth in the property development market and subsequently a decreased demand and steel price. The price index of steel in the PRC declined at a CAGR -7.6% from 2017 to 2022.

On the other hand, the price of cement has been surged since 2017 with the increasing demand of such products in the market. The price index of cement in the PRC increased at a CAGR 4.3% from 2017 to 2022.

PPI of Steel (The PRC), 2017-2022



Price Index of Cement (The PRC), 2017-2022

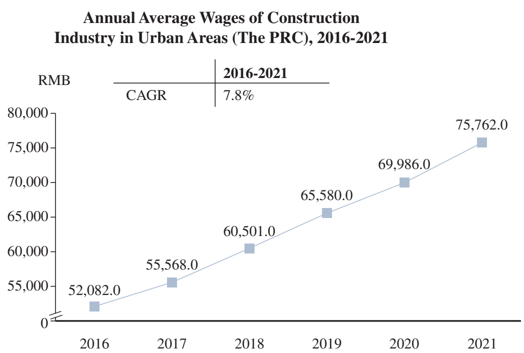


Source: National Bureau of Statistics of China, Frost & Sullivan

Labor Cost

According to National Bureau of Statistics of China, the annual average wages of construction industry in urban areas of the PRC increased from RMB52,082.0 in 2016 to RMB75,762 in 2021, representing a CAGR of 7.8% during 2016 to 2021.

The total number of employed persons in construction industry in the PRC declined from 27.2 million in 2016 to 19.7 million in 2021, representing a CAGR of approximately (6.2)%. The decline in the number of construction workers in the PRC has intensified the issue of labor-shortage of the construction industry in the PRC which has contributed to the rapid rise of average wages of construction industry in the PRC over the years.



Source: National Bureau of Statistics of China, Frost & Sullivan

Note: 2022 data is not yet available.

COMPETITIVE LANDSCAPE OF SPECIALIZED INDUSTRIAL CONSTRUCTION AND SPECIALIZED AUXILIARY CONSTRUCTION MARKET IN THE PRC

Overview of Competition of Specialized Industrial Construction and Specialized Auxiliary Construction Market in the PRC

The specialized industrial construction and specialized auxiliary construction industry in the PRC is highly fragmented with the top 10 players accounting for approximately 1.6% of the market share in 2022 and there are approximately more than 20,000 industry players in the specialized industrial construction and specialized auxiliary construction industry in the PRC. The industry tender success rate of Specialized Industrial Construction and Specialized Auxiliary Construction in the PRC ranges from 30% to 60% and the industry tender success rate of other construction works in the PRC ranges from 20% to 60%.

In 2022, the Group is the 10th specialized industrial construction and specialized auxiliary construction contractor in the PRC by revenue with the market share of 0.1%.

Ranking of Top 10 Specialised Industrial Construction & Specialized Auxiliary Construction Contractors by Revenue (The PRC), 2022

Rank	Market participant	Revenue (RMB Million)	Market Share (%)
1	China Railway 12th Bureau Group Co., Ltd (中鐵十二局集團有限公司)	57,801.8	0.4%
2	China Railway 3rd Bureau Group Co., Ltd (中鐵三局集團有限公司)	47,408.1	0.3%
3	China Railway 17th Bureau Group Co., Ltd (中鐵十七局集團有限公司)	26,207.2	0.2%
4	China Construction Industrial & Energy Engineering Group Co., Ltd (中建安裝集團有限公司)	19,487.8	0.1%
5	China National Chemical Engineering Third Construction Co., Ltd (中國化學工程第三建設有限公司)	12,136.8	0.1%
6	China Petroleum Pipeline Engineering Co., Ltd (中國石油管道局工程有限公司)	12,029.7	0.1%
7	The Third Construction Co., Ltd of China Construction Third Engineering Bureau (中建三局第三建設工程有限責任公司)	11,383.5	0.1%
8	Shanxi Fourth Construction Group Co., Ltd (山西四建集團有限公司)	11,210.0	0.1%
9	China Chemical Engineering Second Construction Corporation (中化二建集團有限公司)	11,192.7	0.1%
10	**The Group**	9,682.2	0.1%
	Sub-total	218,539.7	1.6%
	Total	13,911,200.0	100.0%

Source: State Taxation Administration of China, Frost & Sullivan

Notes:

1. China Railway 12th Bureau Group Co., Ltd (中鐵十二局集團有限公司) is a company established in 1948 which is engaged in the construction fields of railroads, highways, bridges, municipalities, urban light rail, subways, electricity, etc. It is a subsidiary of a Chinese construction company which floats in Shanghai and Hong Kong stock exchanges and is a corporate conglomerate engaged in engineering survey, design and construction, industrial equipment manufacturing, real estate development, resources and mining development, financial investment, and other fields.

2. China Railway 3rd Bureau Group Co., Ltd (中鐵三局集團有限公司) is a company established in 1952 with principal business of providing comprehensive solutions for construction services. It is a subsidiary of a Chinese construction company which floats in Shanghai and Hong Kong stock exchanges and is a corporate conglomerate engaged in engineering survey, design and construction, industrial equipment manufacturing, real estate development, resources and mining development, financial investment, and other fields.

3. China Railway 17th Bureau Group Co., Ltd (中鐵十七局集團有限公司) is a company established in 1952 which is primarily engaged in railroad engineering and highway engineering. It is a subsidiary of a Chinese construction company which floats in Shanghai and Hong Kong stock exchanges and is a corporate conglomerate engaged in engineering survey, design and construction, industrial equipment manufacturing, real estate development, resources and mining development, financial investment, and other fields.

4. China Construction Industrial & Energy Engineering Group Co., Ltd (中建安裝集團有限公司) is a company established in 1991 specializing in engineering design, construction, manufacturing, petrochemical and industrial complex, public infrastructures, and etc. It is a subsidiary of a Chinese construction company listed on Shanghai stock exchange and is a vertically integrated construction and investment conglomerate mainly engaged in infrastructure investment, construction projects.

5. China National Chemical Engineering Third Construction Co., Ltd (中國化學工程第三建設有限公司) is a company established in 1962 and has become a comprehensive building installation enterprise in the PRC's petrochemical industry. It is a subsidiary of a Chinese company in construction engineering and design and listed on Shanghai stock exchange. The parent company provides general contracting of construction, infrastructure and overseas projects. It also involves in project consulting, prospecting, design, construction, project management environmental treatment, technology research, development and industrialization, installation of pipeline, circuit and complete equipment, import and export business and involves real estate, investment and management of industry plant and infrastructure project.

6. China Petroleum Pipeline Engineering Co., Ltd (中國石油管道局工程有限公司) is a company established in 1973 specializing in constructing oil and gas storage and transportation infrastructure. It is a subsidiary of a major national oil and gas corporation of China and one of the largest integrated energy groups in the world, which floats in Shanghai and Hong Kong stock exchanges.

7. The Third Construction Co., Ltd of China Construction Third Engineering Bureau (中建三局第三建設工程有限責任公司) is a company established in 1953 focusing on petrochemical construction and municipal public construction works. It is a subsidiary of a Chinese construction company listed on Shanghai stock exchange and is a vertically integrated construction and investment conglomerate mainly engaged in infrastructure investment, construction projects.

8. Shanxi Fourth Construction Group Co., Ltd (山西四建集團有限公司) is a company established in 1950 and is one of the special grade qualified enterprises in the field of national housing construction.

9. China Chemical Engineering Second Construction Corporation (中化二建集團有限公司) is a company established in 1953 and covers various business fields such as general contracting, design, manufacturing, construction, etc. It is a subsidiary of a Chinese company in construction engineering and design and listed on Shanghai stock exchange. The parent company provides general contracting of construction, infrastructure and overseas projects. It also involves in project consulting, prospecting, design, construction, project management environmental treatment, technology research, development and industrialization, installation of pipeline, circuit and complete equipment, import and export business and involves real estate, investment and management of industry plant and infrastructure project.

Overview of Competition of Specialized Industrial Construction Market

The specialized industrial construction industry in the PRC is highly fragmented with the top 10 players accounting for approximately 1.5% of the market share in 2022 and there are approximately more than 10,000 industry players in the specialized industrial construction industry in the PRC.

In 2022, the Group is the 5th specialized industrial construction contractor in the PRC by revenue with the market share of 0.2%.

Ranking of Top 10 Specialised Industrial Construction Contractors by Revenue (The PRC), 2022

Rank	Market participant	Revenue (RMB Million)	Market Share (%)
1	China Petroleum Pipeline Engineering Co., Ltd (中國石油管道局工程有限公司)	12,029.7	0.2%
2	China National Chemical Engineering Third Construction Co., Ltd (中國化學工程第三建設有限公司)	10,114.0	0.2%
3	China Petroleum First Construction Corporation (中國石油天然氣第一建設有限公司)	9,512.9	0.2%
4	China Chemical Engineering Second Construction Corporation (中化二建集團有限公司)	9,327.2	0.2%
5	**The Group**	7,591.1	0.2%
6	China Construction Industrial & Energy Engineering Group Co., Ltd (中建安裝集團有限公司)	6,495.9	0.1%
7	Daqing Oilfield Construction Group Co., Ltd (大慶油田建設集團有限責任公司)	6,404.7	0.1%
8	China National Chemical Engineering Sixth Construction Co., Ltd (中国化学工程第六建设有限公司)	5,238.9	0.1%
9	Shanxi Fourth Construction Group Co., Ltd (山西四建集團有限公司)	5,231.3	0.1%
10	Shaanxi Construction Engineering Installation Group Co., Ltd (陝西建工安裝集團有限公司)	5,207.8	0.1%
	Sub-total	77,153.5	1.5%
	Total	5,045,600.0	100%

Source: State Taxation Administration of China, Frost & Sullivan

Notes:

1. China Petroleum First Construction Corporation (中國石油天然氣第一建設有限公司) is a company established in 1954 and has been one of the comprehensive chemical and petroleum construction enterprise in the PRC. It is a subsidiary of a major national oil and gas corporation of China and one of the largest integrated energy groups in the world, which floats in Shanghai and Hong Kong stock exchanges.

2. Daqing Oilfield Construction Group Co., Ltd (大慶油田建設集團有限責任公司) is established in 1985 which is engaging in the businesses of oil and gas exploration and development, engineering services, etc, which floats in Shanghai and Hong Kong stock exchanges.

3. China National Chemical Engineering Sixth Construction Co., Ltd (中國化學工程第六建設有限公司) is a company established in 1965 and is a building installation enterprise in the PRC's petrochemical industry. It is a subsidiary of a Chinese company in construction engineering and design and listed on Shanghai stock exchange. The parent company provides general contracting of construction, infrastructure and overseas projects. It also involves in project consulting, prospecting, design, construction, project management environmental treatment, technology research, development and industrialization, installation of pipeline, circuit and complete equipment, import and export business and involves real estate, investment and management of industry plant and infrastructure project.

4. Shaanxi Construction Engineering Installation Group Co., Ltd (陝西建工安裝集團有限公司) is a company established in 1955 and engages in various fields including international and domestic engineering contracting, industrial investment, real estate development, operation and maintenance, equipment manufacturing, etc. It is a subsidiary of a listed company which floats in Shanghai stock exchange.

Overview of Competition of Specialized Auxiliary Construction Market

The specialized auxiliary construction industry in the PRC is highly fragmented with the top 10 players accounting for approximately 1.9% of the market share in 2022 and there are approximately more than 10,000 industry players in the specialized auxiliary construction industry in the PRC.

In 2022, the Group recorded the market share of 0.02% by revenue in the specialized auxiliary construction market in the PRC.

Ranking of Top 10 Specialized Auxiliary Construction Contractors By Revenue (The PRC), 2022

Rank	Market participant	Revenue (RMB Million)	Market Share (%)
1	China Railway 12th Bureau Group Co., Ltd (中鐵十二局集團有限公司)	51,001.6	0.6%
2	China Railway 3rd Bureau Group Co., Ltd (中鐵三局集團有限公司)	43,344.6	0.5%
3	China Railway 17th Bureau Group Co., Ltd (中鐵十七局集團有限公司)	23,824.7	0.3%
4	China Construction Industrial & Energy Engineering Group Co., Ltd (中建安裝集團有限公司)	12,991.8	0.1%
5	The Third Construction Co., Ltd of China Construction Third Engineering Bureau (中建三局第三建設工程有限責任公司)	9,757.3	0.1%
6	Shanxi Fifth Construction Group Co., Ltd (山西五建集團有限公司)	7,157.3	0.1%
7	Shanxi Fourth Construction Group Co., Ltd (山西四建集團有限公司)	5,978.7	0.1%
8	Shaanxi Construction Engineering Installation Group Co., Ltd (陝西建工安裝集團有限公司)	3,719.8	0.0%
9	China National Chemical Engineering Sixth Construction Co., Ltd (中國化學工程第六建設有限公司)	3,274.3	0.0%
10	Shanghai Installation Engineering Group Co., Ltd (上海市安裝工程集團有限公司)	3,194.1	0.0%
	Sub-total	164,244.2	1.9%
	Total	8,865,600.0	100.0%

Source: State Taxation Administration of China, Frost & Sullivan

Notes:

1. Shanxi Fifth Construction Group Co., Ltd (山西五建集團有限公司) is a company established in 1961 specializing in building construction, infrastructure investment and construction operation, real estate development and construction industrialization, etc.

2. Shanghai Installation Engineering Group Co., Ltd (上海市安裝工程集團有限公司) is a company established in 1958 providing installation services related to electromechanical installation projects. It is a subsidiary of a listed company which floats in Shanghai stock exchange.

Overview of Competition of New Energy Works Market

The new energy works industry in the PRC is highly fragmented with the top 5 players accounting for approximately 0.6% of the market share in 2022 and there are approximately more than 5,000 industry players in the new energy works industry in the PRC.

In 2022, the Group ranked second in new energy works contractor in the PRC by revenue with the market share of 0.1%.

Ranking of Top 5 New Energy Construction Works Contractors by Revenue (The PRC), 2022

Rank	Market participant	Revenue (RMB Million)	Market Share (%)
1	China Railway 12th Bureau Group Co., Ltd (中鐵十二局集團有限公司)	6,800.2	0.2%
2	**The Group**	3,542.0	0.1%
3	China Railway 3rd Bureau Group Co., Ltd (中鐵三局集團有限公司)	2,709.0	0.1%
4	Shanxi Fourth Construction Group Co., Ltd (山西四建集團有限公司)	2,242.0	0.1%
5	China Railway 17th Bureau Group Co., Ltd (中鐵十七局集團有限公司)	1,588.3	0.1%
	Sub-total	16,881.5	0.6%
	Total	2,831,900.0	100.0%

Source: State Taxation Administration of China, Frost & Sullivan

Overview of Competition of Specialized Industrial Construction Industry in Shanxi Province

The specialized industrial construction industry in Shanxi Province is relatively fragmented. There were over 500 construction enterprises in Shanxi Province in 2022 engaging in specialized industrial construction. In particular, the Group was one of the two construction enterprises in Shanxi Province that were granted Premium Grade Qualifications of General Contracting for Petrochemical Engineering Construction in 2022; while the number of construction enterprises in Shanxi Province that were granted First Grade Qualifications of General Contracting for Petrochemical Engineering Construction in 2022 was 341. In respect of the First Grade Qualifications of General Contracting for Power Engineering Construction, the Group was one of the 15 construction enterprises in Shanxi Province that has such qualifications in 2022; while the number of construction enterprises in Shanxi Province that were granted Second Grade Qualifications of General Contracting for Power Engineering

Construction and Third Grade Qualifications of General Contracting for Power Engineering Construction in 2022 was 316 and 450, respectively. In 2022, no construction enterprises in Shanxi Province were granted Premium Grade Qualifications of General Contracting for Power Engineering Construction.

In 2022, the Group was the largest specialized industrial construction contractor in Shanxi Province by revenue with the market share of 3.0%.

Ranking of Top 3 Specialised Industrial Construction Contractors by Revenue (Shanxi Province), 2022

Rank	Market participant	Revenue (RMB Million)	Market Share (%)
1	**The Group**	4,857.9	3.0%
2	China Chemical Engineering Second Construction Corporation (中化二建集團有限公司)	2,658.5	1.6%
3	Shanxi Fourth Construction Group Co., Ltd (山西四建集團有限公司)	2,145.4	1.3%
	Sub-total	9,661.8	5.9%
	Total	164,500.0	100.0%

Source: State Taxation Administration of China, Frost & Sullivan

Entry barriers

Capital requirements

Construction industry, including specialized industrial construction, in the PRC is considered as a capital-intensive industry because a substantial amount of capital is required for initial investment of various construction machineries. In the specialized industrial construction industry, sizeable construction machines such as such as excavator, generator and mobile crane is required. Moreover, a sufficient amount of cash reserve is required for the early stage of construction work as the payment of the construction project is divided into multiple settlements and being paid according to the work progress. As such, market entrants may find it difficult to have sufficient capital to sustain their business.

Licensing requirements

Licensing is required to conduct various construction works in the PRC, including specialized industrial construction. Depending on different on-site circumstances, industry players shall obtain licenses such as "The construction enterprise qualification certificate" (建築業企業資質證書) accredited by the Ministry of Housing and Urban-Rural Development of People's Republic of China (MOHURD), "Production License of Special Equipment" (特種設備生產許可證) accredited by State Administration for Market Regulation and Licenses for Undertaking Installation (Repair, Testing) of Electric Power Facilities (承裝(修、試)電力設施許可證) accredited by National Energy Administration, as well as other qualifications and certifications in relation to environmental management, occupational health and safety management and quality management. Market entrants may not be able to meet the requirements and conduct eligible construction works in the PRC.

Proven track records

Prior job record is considered as an invaluable asset to the market participants in the specialized industrial construction market in the PRC. In general, clients prefer specialized industrial construction providers with proven track record as to substantiate their capability of the business. The proven track records not only lie in the number of remarkable projects completed during a certain period but are also closely related to the quality of works, the comprehensive abilities in design and project execution and so forth, which cannot be achieved in a short time. Thus, it imposes as a key entry barrier for new entrants as job reference is yet to be established.

COMPETITIVE STRENGTHS OF OUR GROUP

Please refer to the paragraph headed "Business – Our strengths" in this prospectus for a detailed discussion of competitive strengths of our Group.

MAJOR REGULATORY AUTHORITIES AND RELATED AGENCIES

In addition to authorities that perform general regulation on companies in the PRC, our operations in the PRC are mainly subject to supervision and management by the following authorities:

The State Administration for Market Regulation

The State Administration for Market Regulation is responsible for integrated supervision and management of the market, conducting unified registration of entities in the market; organizing and guiding supervision and comprehensive law enforcement over the market; conducting anti-monopoly unified enforcement; supervising and managing market order; managing macroscopic quality; supervising and managing product quality and special equipment safety; supervising and managing food safety and comprehensive coordination; supervising and managing food safety; conducting unified management and measurement; unified management of standardization; unified management of inspection and testing; unified management; supervision and comprehensive coordination of national certification and accreditation; supervising and managing the establishment of technology and informatization for market; news release and publicity; international exchanges and cooperation and administration of National Medical Product Administration and National Intellectual Property Administration and other agencies. The Company's incorporation registration and business qualifications, such as special equipment production licenses required for production and operation, are subject to the routine supervision and management under the State Administration for Market Regulation and its local branches at all levels.

The Ministry of Housing and Urban-Rural Development of the People's Republic of China

The main duties of the Ministry of Housing and Urban-Rural Development of the People's Republic of China (the "**MOHURD**") include: to ensure the housing needs of urban low-income households are met; to promote the reform of the housing system; to regulate the order of housing and urban and rural construction management; to establish a scientific and regulated system of engineering construction standard; to perform the responsibility of regulating the order of the real estate market and supervising and managing the real estate market; to monitor and manage the construction market; to regulate all parties in the market; to study and formulate policies and plans for urban construction and guide the implementation thereof; to guide the construction, safety and emergency management of urban municipal public facilities; to formulate and implement national development planning and policies in respect of scenic area; to conduct the review, approval, supervision and management of national scenic area; to organize and review the application of the world natural heritage; to review the application of the world natural and cultural dual heritage in cooperation with cultural relics authorities and others; to work with the cultural relic authorities for the protection, supervision and management of famous historical and cultural cities (towns and villages); to perform the responsibilities of regulating the construction of villages and towns and guiding the construction of villages and towns across China; to perform the responsibilities of the quality and safety supervision of construction projects; to perform the responsibilities of promoting building energy conservation and urban emission reduction; to supervise and manage the housing provident funds and ensure the effective use and safety of the provident funds; to carry out international exchanges and cooperation in housing and urban and rural construction; to perform the responsibilities of specifying housing transaction-related policies, rules and regulations and supervising their implementation; to guide and supervise the management of housing property titles; to perform the responsibilities of building the nationwide real estate market monitoring system; to perform the responsibilities of formulating policies and regulations for law enforcement by urban management authorities; to guide the nationwide law enforcement by urban management authorities; to supervise law enforcement by urban management authorities; to organize the investigation and disciplinary action of material cases in respect of housing and urban and rural construction; to guide the review of fire safety design of construction projects. The Company is mainly engaged in specialized industrial works, specialized auxiliary construction, other construction and non-construction businesses. Such businesses are subject to the routine supervision and management of MOHURD and its local branches at all levels.

The Ministry of Emergency Management of the People’s Republic of China

The Ministry of Emergency Management of the People’s Republic of China (“**Ministry of Emergency Management**”) is an authority in charge of matters related to production safety within the territory of the People’s Republic of China. Its duties include: to organize the preparation of the general national contingency plans and planning; to guide various regions and departments in responding to emergencies, and to promote the establishment of emergency contingency plans system and emergency response drill; to establish a disaster reporting system and unified release of disaster-related information; to coordinate the building-up of emergency forces and material reserves; to make unified scheduling during disaster relief; to organize the construction of disaster relief system; to guide emergency rescues for production safety and natural disasters; to undertake the work of the national headquarters for responding to particularly severe disasters; to guide the prevention and control of fires, floods, droughts, and geological disasters; to perform the responsibilities of comprehensive supervision and management of production safety and supervision and management of production safety of industry, mining, commercial and trading industries. The Company’s construction and other business operations are subject to the routine supervision and management under the Ministry of Emergency Management and its local branches at all levels.

The Ministry of Commerce of the People’s Republic of China

The MOFCOM is an authority in charge of the domestic and international trade and international economic cooperation of the People’s Republic of China. Its duties include: to formulate strategies and policies on development of domestic and international trade and international economic cooperation; to draft laws and regulations and to formulate relevant departmental rules on domestic and international trade, foreign investment, overseas investment and economic cooperation with other countries and regions; to guide the nationwide foreign investment; to formulate policies and plans of reform for foreign investment and organizing the implementation thereof; to approve the establishment and changes of foreign-invested enterprises in accordance with the law. The MOFCOM is also responsible for handling filing and registration of foreign trade dealers engaging in import and export of goods or technologies. The Company is also subject to the MOFCOM' supervision and management in respect of overseas investment such as overseas acquisitions or investment and establishment of enterprises.

National Development and Reform Commission of the People's Republic of China

The NDRC is an authority that studies and formulates economic and social development policies, ensures overall balance of economy and guides the overall regulation and control of economic system reform from a macro perspective. Its duties include: to coordinate and promote the development, draft and implement development plan of national strategic emerging industries; to coordinate related industries and regional planning; to perform responsibilities of comprehensive management of investments; to review and approve major foreign-funded projects and investment projects involving significant amount of foreign exchange. The Company's construction projects and other businesses are supervised and managed by NDRC and its local branches at all levels. In addition, the Company is also subject to NDRC's supervision and management on foreign investment with regard to the establishment of overseas enterprises.

The Ministry of Ecology and Environment of the People's Republic of China

The main duties of the Ministry of Ecology and Environment of the People's Republic of China (the "**MEE**") are: to establish and improve the basic system of the ecological environment; to plan, coordinate, supervise and manage major ecological and environmental issues; to supervise and manage the implementation of the national emission reduction targets; to give advices on the size and direction of fixed asset investments in the field of ecology and environment and the arrangement of national fiscal funds; to approve fixed asset investment projects within the scope the national planning and annual planning size; to supervise and manage environmental pollution prevention and control; to guide, coordinate and supervise ecological protection and restoration; to supervise and manage ecological and environmental access, including approval or review environmental impact assessment documents of major development and construction areas, planning, and projects; to conduct inspection of ecological environment; to perform overall responsibility for monitoring and law enforcement in respect of ecology and environment.

SELF-DISCIPLINARY ORGANIZATIONS OF THE INDUSTRY

In addition to the supervision of the abovementioned competent departments, enterprises in the domestic construction industry and concrete structure industry are also subject to the guidance of the coordination organization and acquire relevant services. Such coordination organizations of the industry mainly include the China Construction Industry Association, which, registered in the PRC, is a social organization voluntarily formed by enterprises and public institutions, local associations, functional associations and relevant professionals engaging in the construction industry. It is a national, industry-based, and nonprofit social organization with the qualification of corporate legal entity.

RELEVANT LAWS AND REGULATIONS

Permits and qualifications for a construction company

1. Contractor Qualifications of Construction Projects

Requirements relating to application for qualification and scope of contracting of enterprises in the construction industry are stipulated in the Construction Law of the People's Republic of China (《中華人民共和國建築法》) (Order No.29 of the President of the PRC, promulgated on November 1, 1997, amended on April 22, 2011 and April 23, 2019 and taking effect on April 23, 2019), Provisions on the Administration of Qualifications of Enterprises in Construction Industry (《建築業企業資質管理規定》) (No.22 Order of the Ministry of Housing and Urban-Rural Development of the PRC, promulgated on January 22, 2015, amended and taking effect on December 22, 2018), Qualification Standards of Construction Enterprises (《建築業企業資質標準》(建市[2014]159號)) (Jian Shi [2014] No.159, promulgated on November 6, 2014 and taking effect on January 1, 2015), the Premium Class Qualification Standards for General Construction Contractors (《施工總承包企業特級資質標準》(建市[2007]72號)) (Jian Shi [2007] No.72, promulgated and taking effect on March 13, 2007), the Implementing Measures of Premium Class Qualification Standards for General Construction Contractors (《施工總承包企業特級資質標準實施辦法》(建市[2010]210號)) (Jian Shi [2010] No.210, promulgated on November 30, 2010, amended and taking effect on November 9, 2015), the Opinions on the Implementation of the Provisions on the Administration and Standard of Qualifications of Enterprises in Construction Industry (《建築業企業資質管理規定和資質標準實施意見》(建市[2015]20號)) (Jian Shi [2015] No.20, promulgated on January 31, 2015, amended and taking effect on January 16, 2020) and other regulations.

Construction enterprises shall comply with the aforesaid laws and regulations and apply for relevant qualifications accordingly to engage in the construction contracting business. Qualifications for construction enterprises are categorized into three groups, namely, general contracting, specialized subcontracting and labor service subcontracting. The general contracting qualification is classified into four classes, namely, the premium class, the first class, the second class and the third class. The specialized subcontracting qualification is classified into three classes, namely, the first class, the second class and the third class.

The Qualification Standards of Construction Enterprises sets forth detailed provisions on the requirements for each type and class of qualifications mentioned above and the premium class qualification standards are prescribed separately in the Premium Class Qualification Standards for General Construction Contractors (《施工總承包企業特級資質標準》.

Enterprises holding the Premium Class Certificate may undertake construction project management services based on the scope of the qualification. Such enterprises may undertake all aspects of the construction works themselves, or subcontract non-essential construction works to subcontracting enterprises. Such enterprises may also engage labor subcontracting agents to carry out the construction work. Construction work should be subcontracted to subcontracting enterprises with relevant qualifications, and labor work should be subcontracted to labor subcontracting agents with relevant qualifications.

Enterprises holding subcontracting certificates may undertake projects subcontracted from a general construction contractor in compliance with relevant regulations. An enterprise that has obtained subcontracting certifications should undertake the entire subcontracting project itself but a subcontracting enterprise may subcontract any labor work to labor subcontracting agents with relevant qualifications in accordance with relevant PRC laws and regulations.

If the construction enterprise needs to continue to renew qualification certificates after the validity expires, an application for renewal shall be made not less than three months before expiration of the qualification certificates.

2. *Qualifications for Construction Design*

Pursuant to the Regulations on the Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》) (No.687 Order of the State Council, promulgated on September 25, 2000, amended on June 12, 2015 and October 7, 2017 and taking effect on October 7, 2017) and the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects (《建設工程勘察設計資質管理規定》) (No.160 Order of the Ministry of Construction of the PRC, promulgated on June 26, 2007, amended on May 4, 2015, October 20, 2016 and December 22, 2018 and taking effect on December 22, 2018), the PRC Government has implemented a system of qualification administration for enterprises engaged in construction survey and design. Enterprises engaged in construction design shall apply for qualification certifications before they undertake construction design activities.

Construction design qualifications are classified into four types and four grades. The four types are comprehensive construction design qualification, industry-specific construction design qualification, specialty construction design qualification, and specialized construction design qualification. In addition, the four classes are Class A, B, C and D. The comprehensive construction design qualification only has Class A. Industry-specific construction design qualification, specialty construction design qualification and specialized construction design qualification are generally categorized into Class A and Class B. Depending on the nature and technical characteristics of the relevant construction engineering projects, there may be an additional Class C for certain industry-specific construction design qualification and specialty construction design qualification, and additional Class C and D for specialized construction design qualification.

The scope of work that enterprises are allowed to provide depends on the specific category and class of their certificates. The Qualification Standards of Construction Design (《工程設計資質標準》(建市[2007]86號)) (Jian Shi [2007] No.86, promulgated on March 29, 2007, amended and taking effect on June 16, 2016) sets forth detailed provisions on application requirements of each category and class mentioned above.

Pursuant to the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects, an enterprise shall submit an application to the original licensing department for renewal of registration no less than 60 days before the expiration of the qualification certificates.

3. Reform of Qualification of Construction Enterprises

On November 30, 2020, the Ministry of Housing and Urban-Rural Development promulgated the Notice of Printing and Distributing the Reform Plan for the Qualifications Management System of Construction Enterprises (《關於印發建設工程企業資質管理制度改革方案的通知》) (Jian Shi [2020] No.94) to carry out reform on the qualification of construction enterprises, further lift the access restrictions of construction market and improved the approval services. The relevant reforms involving engineering contracting and qualifications of construction design are as follows:

Contracting qualifications: to adjust the 10 types of premium grade qualification of general contracting enterprises for construction to comprehensive construction qualifications, which can undertake general contracting business of various industries and grades; to retain 12 types of general contracting qualification, and to integrate the specialized subcontracting qualification of civil aviation projects into general contracting contractor qualification; to integrate 36 categories of specialized subcontracting qualifications into 18 categories; to change the construction qualifications of labor service enterprises to specialized operation qualifications, and to change from the approval system to the filing system. Comprehensive qualifications and specialized operation qualifications are not subject to classification. Main contractor qualification and specialized subcontractor qualification are reduced to grades A and B in principle (certain specialized subcontracting qualifications are not graded). Among them, the Grade A qualifications for general construction contractor are not subject to any limit in terms of the size of business in the industry.

Qualifications of construction design: to retain comprehensive qualifications; to integrate 21 types of industry-specific qualifications into 14 types; to integrate 151 types of speciality qualifications, 8 types of specific qualifications, and 3 types of firm-level qualifications into 70 types of speciality and firm-level qualifications. Comprehensive qualifications and firm-level qualifications are not subject to classification. In principle, the grades of industry-specific qualifications and speciality qualifications are reduced to grades A and B (certain qualifications only retain Grade A).

For the transition period and the extension of the term of the qualification validity period involved in the above qualification reform, the qualification reform plan stipulates that a transition period of 1 year will be allowed, and a simple renewal procedure will be implemented after the expiration, which means that the new qualification certificate is directly renewed according to the corresponding changes to the old certificate as per the new requirements under new qualification management, and there is no need to re-assess the qualifications. At the same time, on June 28, 2020, the General Office of MOHURD issued the "Notice on Relevant Matters Concerning the Renewal of Qualifications of Construction Enterprises" (Jian Ban Shi Han [2020] No.334), which stipulates that the validity period of the qualification certificates of engineering survey, engineering design, construction enterprises, and engineering supervision enterprises issued by the MOHURD expires from July 1, 2020 to December 30, 2021 will be extended to December 31, 2021. On December 13, 2021, the General Office of MOHURD further issued the "Notice on Matters Concerning the Unified Renewal of the Qualifications of Construction Enterprises" (Jian Ban Shi Han [2021] No.510), which stipulates that the validity period of the qualifications and qualification certificates of engineering survey, engineering design, construction enterprises, and engineering supervision enterprises issued by the MOHURD expires on any date falling within the period from December 31, 2021 to December 30, 2022 will be extended to December 31, 2022. On October 28, 2022, the General Office of MOHURD further issued the Circular on Matters Concerning the Qualifications of Construction Engineering Enterprises, which stipulates that the qualification certificates, issued by the MOHURD for engineering survey, engineering design, construction enterprises, and engineering supervision enterprises, which are due to expire before December 30, 2023, will be extended to December 31, 2023. On October 16, 2023, the Construction Market Supervision Department of the MOHURD further issued the Notice on Matters Related to the Renewal of Qualification of Construction Engineering Enterprises, stipulating that the where if the qualifications of engineering survey, engineering design, construction enterprises and engineering supervision enterprises issued by the MOHURD will expire on or before December 31, 2023, applications may be made to the MOHURD for valid renewal of qualification certificates; where if the validity period of the qualification certificate expires after December 31,2023, applications may be made to the MOHURD for extension of the validity period of the qualification certificate according to relevant qualification management regulations

4. Construction Permits of Building Projects

According to the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》) (No.42 Order of the Ministry of Housing and Urban-Rural Development of the PRC, promulgated on October 15, 1999, amended on July 4, 2001, June 25, 2014, September 28, 2018, March 30, 2021 and taking effect on March 30, 2021), for construction, fitting out and decoration works in respect of various housing construction and auxiliary facilities thereof, installation of circuits, pipelines and equipment, as well as construction of infrastructural works for cities and towns, the construction entities shall apply for construction permits from the competent department in accordance with the regulations of the Administrative Measures for urban-rural development of housing of the local people's government at or above prefecture level where the construction is located prior to the commencement of works.

It is not necessary to apply for construction permits for construction works of investment amount less than RMB0.3 million or which the gross floor area is less than 300 sq.m. The administrative authority in charge of housing and urban-rural development of the people's government of a province, autonomous region or municipality directly under the Central

Government may, in accordance with the specific circumstances prevailing in their respective regions, readjust these limits and notify the department under the State Council responsible for construction for its records. For any construction project for which the report on the start of construction has been approved in accordance with the powers and procedures specified by the State Council, the construction entity concerned shall not be required to apply for a construction permit.

According to the Guiding Opinions of the MOHURD on Strengthen Vocational Training of Construction Workers (《住房和城鄉建設部關於加強建築工人職業培訓工作的指導意見》) (Jian Ren [2015] No.43, promulgated on March 26, 2015 and taking effect on the same day), it expressly stipulates that construction workers shall be qualified to engage in construction industry, accept classified trainings based on vocational skill standards and they all shall be employed with certificates. For workers who engage in technical types of work, they shall accept safety production training, theoretical knowledge training and operating skills training; for general workers on site, they shall accept safety production training pursuant to the requirements of vocational skills standards issued by the MOHURD. Construction workers must be trained and qualified, and obtain training certificate from construction enterprises or training institutions. For workers who engage in special type of construction work, they shall accept specialized training and pass the assessment, and obtain qualification certificates for special construction workers (《建築施工特種作業人員操作資格證書》) from the administrative authority in charge of housing and urban-rural development.

Tender and bidding

According to the Construction Law of the People's Republic of China (《中華人民共和國建築法》) and the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) (Order No.86 of the President of the PRC, promulgated on August 30, 1999, amended on December 27, 2017, and taking effect on December 28, 2017), large-scale infrastructure and public works projects relating to social and public welfare and safety within the PRC, projects funded wholly or partly by the state, and the survey, design, construction and supervision of projects using loans or aid funds from international organizations or foreign governments, as well as the procurement of major equipment and materials for project construction shall be subject to bidding. The bid winner may, according to the provisions under the contract or the consent from the project owner, subcontract non-vital parts and non-critical works of the project. The individual accepting such contracting shall be equipped with corresponding qualifications and shall not subcontract his portion of works.

The Implementing Regulations on the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) (No.709 Order of the State Council of the PRC, promulgated on December 20, 2011, amended on March 1, 2017, March 19, 2018 and March 2, 2019 and taking effect on March 2, 2019) set out detailed provisions regarding relevant activities such as tender, bid submission, bid opening, bid evaluation, bid granting and entering into agreement, based on the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》.

The Administrative Measures for Tender and Bidding of House-building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程施工招標投標管理辦法》) (No.47 Order of the MOHURD the PRC, promulgated on June 1, 2001, amended on September 28, 2018 and March 13, 2019 and taking effect on March 13, 2019) explicitly stipulates ranges of the house-building and municipal infrastructure projects, projects required for bidding and specific requirements about tender, bid submission, bid opening, bid evaluation and bid granting.

The Administrative Measures for Tender and Bidding of Construction Work Design (《建築工程設計招標投標管理辦法》) (No.33 Order of the Ministry of Housing and Urban-Rural Development of the PRC, promulgated on January 24, 2017 and taking effect on May 1, 2017) clearly provides situations not required for bidding, procedures of public bidding, contents of bidding documents, requirements for tender and bid evaluation for construction work design plan.

The Several Opinions of the Ministry of Housing and Urban-Rural Development on Further Pushing the Development of EPC (《住房城鄉建設部關於進一步推進工程總承包發展的若干意見》) (Jian Shi [2016] No.93, promulgated on May 20, 2016 and taking effect on the same day) explicitly stipulates the main model of EPC, EPC subcontracting, responsibilities and obligations of the EPC companies and regulatory procedures of EPC project management.

The Measures for Administration on the Construction by Sub-contract of Housebuilding and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程施工分包管理辦法》) (No.124 Order of the Ministry of Construction of the PRC, promulgated on February 3, 2004, amended on August 27, 2014 and March 13, 2019 and taking effect on March 13, 2019) explicitly stipulates the definition and varieties of subcontracting, house-building and municipal infrastructure projects, requirements and conditions for subcontracting and the breach of subcontracting.

The Notice of the MOHURD on Administration of the Determination, Investigation and Handling of Breaches of the Laws on Contract-issuing and Contracting in connection with Construction Works (《住房和城鄉建設部關於印發建築工程施工發包與承包違法行為認定查處管理辦法的通知》) (Jian Shi Gui [2019] No.1, promulgated on January 3, 2019 and taking effect on January 1, 2019) sets out detailed provisions of the identification of acts, such as the illegal subcontracting and affiliated behavior, of project owners and construction entities of a construction project in the construction contracting and contracting activities of construction projects, and also provides relevant measures and penalty provisions for investigation and handling.

The Management Rules Regarding the Pricing of the Contract and Sub-contract Price of Construction Projects (《建築工程施工發包與承包計價管理辦法》) (No.16 Order of the Ministry of Housing and Urban-Rural Development of the PRC, promulgated on December 11, 2013 and taking effect on February 1, 2014) clearly provides how to price the contract and sub-contract of construction projects, and stipulates issues such as conclusion of a contract, change of prices and construction completion acceptance and settlement after tender and bidding.

Construction Safety

Pursuant to the Work Safety Law of People's Republic of China (Order No.88 of the President of the PRC, promulgated on June 29, 2002, amended on August 27, 2009, August 31, 2014 and June 10, 2021 and taking effect on September 1, 2021), the Regulation on the Work Safety Permits (《安全生產許可證條例》) (Order No.397 of the State Council of the PRC, promulgated on January 13, 2004, amended on July 18, 2013 and July 29, 2014 and taking effect on July 29, 2014), the Regulation on the Administration of Work Safety of Construction Projects (Order No.393 of the State Council of the PRC, promulgated on November 24, 2003 and taking effect on February 1, 2004), and the Provisions on the Administration of Construction Enterprises' Work Safety Permits (《建築施工企業安全生產許可證管理規定》) (Order No.128 of the MOC of the PRC, promulgated on July 5, 2004, amended on January 22, 2015 and taking effect on January 22, 2015), and other relevant laws and regulations, constructing enterprises shall be subject to the work safety permit system implemented by the PRC Government and apply for a Safety Production Permit (安全生產許可證). Before undertaking any construction activity, a construction enterprise shall file an application to the competent department of construction at or above the provincial level for a work safety license. Construction enterprises must not engage in construction activities without work safety permits.

The Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) provides that a production enterprise must meet the national legal standards or industry standards on work safety and provide safe work conditions set out in relevant laws and regulations. Mining, metal smelting, construction and transportation units and production, operation, storage, loading and unloading units of dangerous goods shall establish a work safety management body or have full-time work safety management personnel. Any business entity other than those prescribed above shall establish a work safety management body or have full-time work safety management personnel if the number of its employees exceeds 100; or shall have full-time or part-time work safety management personnel if the number of its employees is 100 or less. Production business entities shall provide safe production education and training for their employees to ensure that their employees have necessary work safety knowledge, are familiar with the relevant work safety policies and rules and safe operating procedures, and possess the safe operating skills for their respective posts. Special operation workers (as determined by the emergency management department of the State Council together with the relevant departments of the State Council) shall receive special training on safe operation as required, and may not perform relevant duties until a corresponding qualification is obtained. The designers and the design firms for the safety facilities of a construction project are liable for their designs. A production enterprise must present prominent warning signs at relevant dangerous operation sites, facilities and equipment. If the company fails to comply with the provisions of the Work Safety Law of the People's Republic of China, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

Pursuant to the Regulations on the Administration of Work Safety of Construction Projects (《建設工程安全生產管理條例》), entities engaging in construction, survey, design, construction, project supervision and other entities responsible for the work safety of a construction project must comply with the provisions of the laws and regulations on work safety, ensure the work safety of construction projects and assume the liabilities of the work safety of the construction projects. In the case of a construction work covered by a general contract, the main contractor will be liable for the general work safety of the construction site. Where a main contractor subcontracts the construction project to another contractor according to the law, their respective rights and obligations shall be clearly stipulated in the subcontract contract. The main contractor and the subcontractor shall be jointly and severally responsible for the safety of the subcontract project. A construction entity must purchase accidental injury insurance for the workers engaged in dangerous works on the construction site for injuries suffered in work-related accidents, and the insurance premium will be paid by the construction entity. In the case of a construction work covered by a general contract, the insurance premium will be paid by the main contractor. The period covered by the insurance policies should commence on the starting date of the construction project and terminate on the date of the acceptance and inspection upon the completion of the project.

Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents (《生產安全事故報告和調查處理條例》) (Order No.493 of the State Council of the PRC, promulgated on April 9, 2007 and taking effect on June 1, 2007), work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorized as follows:

(a) Particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million;

(b) Significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million;

(c) Relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and

(d) General accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million.

MOC introduced the Provisions on Prevention of Falling Accident of the Construction Works Projects (《建築工程預防高處墜落事故若干規定》) (Jian Zhi [2003] No.82, promulgated and taking effect on April 17, 2003), which sets out strict rules on staff and equipment requirements for height operation under a strict liability regime, so as to ensure construction safety and prevent accidents, and the Provisions on Collapse Prevention of Construction Works Projects (《建築工程預防坍塌事故若干規定》) (Jian Zhi [2003] No.82, promulgated and taking effect on April 17, 2003), which requires the entities engaged in new construction, reconstruction, expansion and other activities to prepare the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment, so as to prevent accidents.

Quality Supervision of Construction Works Projects

According to Regulation on the Quality Management of Construction Works Projects (《建設工程質量管理條例》) (Order No.714 of the State Council of the PRC, promulgated on January 30, 2000, amended on October 7, 2017 and April 23, 2019 and taking effect on April 23, 2019), construction enterprises, survey firms, designers, construction enterprises and project supervisory enterprises shall perform the responsibilities of the quality of construction projects. In a general contracting construction project, the main contractor is liable for quality of the overall work. For the construction project survey, design, construction and equipment purchase, if one or more than one of the aforesaid tasks is/are under a general contract, the main contractor shall perform the responsibilities of the quality of the construction project contracted by it or equipment purchased by it. Where a main contractor subcontracts the construction project in question to another contractor in accordance with the law, the subcontractor shall, under the provisions of the subcontract, and be jointly liable for the quality of the project subcontracted by it. The main contractor and the subcontractor shall be jointly and severally responsible for the quality of the aforesaid project. Contracting parties should present quality guarantee and maintenance certificates to the construction enterprises when tendering the project completion report to the construction enterprises. The quality guarantee maintenance certificate shall clarify, among others, the warranty scope, warranty period and warranty responsibilities of the construction project.

Inspection and acceptance of construction projects

Pursuant to the Notification on Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects issued by MOHURD (Jian Zhi [2013] No.171, promulgated and taking effect on December 2, 2013) (《住房和城鄉建設部關於印發<房屋建築和市政基礎設施工程竣工驗收規定>的通知》(建質[2013]171號)), after completion of the project, an inspection team comprising engineering, design, survey, construction, supervision units should be established. Each entity is required to report the compliance status of engineering contracts, the implementation of laws, regulations and mandatory standards for engineering construction in various aspects of the construction.

Pursuant to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (Order No.2 of MOHURD of the PRC, promulgated and taking effect on October 19, 2009) (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》(中華人民共和國住房和城鄉建設部令第2號)), the filing of the as-built inspection of various housing, building and municipal infrastructure projects, including newly built, extended and rebuilt projects, within the PRC shall be governed by such measures. A construction entity shall, in accordance with the measures, conduct filing with the competitive construction department of people's government at or above the county level at the place where the project is located within 15 days from the date on which the as-built inspection of the project is passed.

Environmental protection

Pursuant to Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) (Order No.9 of the President of the PRC, promulgated on December 26, 1989, amended on April 24, 2014 and taking effect on January 1, 2015), the construction of any project that causes pollution to the environment must comply with the administrative regulations on environment protection relating to the construction projects. The pollution prevention facilities for construction projects shall be designed, constructed and put into operation simultaneously with the main works. The PRC government implements a system for administering licenses for the discharge of pollutants under the provisions of the laws. Enterprises, entities and other production operators under the licensing management for pollutant discharge should only discharge pollutants which satisfy the requirements of pollutant discharge license. Those which have not yet obtained the pollutant discharge license may not discharge pollutants. Pollutant-discharging enterprises, entities and other production operators shall pay sewage fees pursuant to the relevant provisions of the State.

Under the Regulations on the Administration of Environmental Protection for Construction Project (Order No.682 of the State Council of the PRC, promulgated on November 29, 1998, amended on July 16, 2017 and taking effect on October 1, 2017) (《建設項目環境保護管理條例》), construction entities shall assess the environmental impacts for their construction projects before commencing. Construction entities shall, depending on the level of the environmental impacts, prepare environmental impact reports or environmental impact statements to the relevant environmental protection administration and obtain approval from relevant administration. Environmental protection facilities shall be designed, constructed and put into operation simultaneously with the main construction works. Upon the completion of construction projects, construction entities shall file an application with the competent department of environmental protection administration for acceptance checks on environmental protection facilities before operating the construction projects.

Pursuant to the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) (Order No.43 of the President of the PRC, promulgated on October 30, 1995, amended on December 29, 2004, June 29, 2013, April 24, 2015, November 7, 2016 and April 29, 2020 and taking effect on September 1, 2020), construction projects where solid waste are generated or projects for storage, utilization or disposal of solid waste shall be subject to environmental impact assessment. The facilities for the prevention and control of environmental pollution by solid wastes required to be built as ancillaries determined in the environmental impact assessment document of a construction project shall be designed, built and put into operation at the same time as the main part of the project. The preliminary design of the construction project shall, as required by the environmental protection design standards, incorporate the prevention and control of environmental pollution by solid wastes into the environmental impact assessment document.

According to the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) (Order No.70 of the President of the PRC, promulgated on May 11, 1984, amended on May 15, 1996, February 28, 2008 and June 27, 2017 and taking effect on January 1, 2018), newly-formed projects and reconstruction, or extensions projects that directly or indirectly discharge pollutants to water bodies and other installations on water are subject to environmental impact assessment. The facilities for the prevention and control of water pollution in a construction project shall be designed, constructed and put into use with the principal part of the project at the same time.

Under the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (Order No.16 of the President of the PRC, promulgated on September 5, 1987, amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018 and taking effect on October 26, 2018) (《中華人民共和國大氣污染防治法》), when construction projects have an impact on atmospheric environment, enterprises and public institutions shall conduct environmental impact assessments and publish the environmental impact assessment documents according to the law; when discharging pollutants to the atmosphere, they shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

Under the Law of the People's Republic of China on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》) (Order No. 104 of the President of the PRC, promulgated on December 24, 2021 and taking effect on June 5, 2022), the facilities for the prevention and control of noise pollution of the construction projects shall be designed, constructed and put into use simultaneously with the body of the project. Construction units shall conduct acceptance test on such facilities of the supporting construction in accordance with relevant laws and regulations. And inspection reports shall be prepared and made public. Construction projects that have not gone through the acceptance test or that failed the acceptance test are not allowed to be put into operation or use.

Under the Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護稅法》) (Order No.16 of the President of the PRC, promulgated on December 25, 2016 and amended and taking effect on October 26, 2018), enterprises, entities and other production operators that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas under the jurisdiction of the PRC are the taxpayers of the environmental protection tax and should pay environmental protection tax based on the requirements of the law. Enterprises, entities and other production operators that discharge taxable pollutants directly to the environment shall be legally liable for the damages other than the taxes on environmental protection paid pursuant to the requirements of the law.

OTHER PRINCIPAL LAWS AND REGULATIONS RELATING TO OUR BUSINESSES IN THE PRC

Foreign Investment

Foreign investors in the PRC are subject to certain restrictions regarding the types of industries they can invest in. The Special Administrative Measures for the Access of Foreign Investment (the "**Negative List**") (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) was promulgated by NDRC and MOFCOM on December 27, 2021 and taking effect on January 1, 2022. The Negative List set out the special management measures for the access of foreign investment, such as the requirements on shareholding percentages and the management. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The Administrative Measures for Approval and Filing of Foreign-invested Projects (2014 Revision) (《外商投資項目核准和備案管理辦法(2014修正)》) (Order No.12 of the NDRC, promulgated on May 17, 2014 and amended and taking effect on December 27, 2014) which was promulgated by NDRC, shall apply to foreign-invested projects by Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures, wholly foreign-owned enterprises, foreign-invested partnerships, merger and acquisition of domestic enterprises by foreign investors, capital increase and reinvestment by foreign-invested enterprises, etc. Those foreign-invested projects shall be managed either by verification and approval or by record-filing.

The Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (Order No.26 of the President of the PRC, promulgated on March 15, 2019 and taking effect on January 1, 2020) which was passed by the NPC applies to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organizations.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the MOFCOM and the State Administration for Market Regulation (Order [2019] No.2 of the MOFCOM and the State Administration for Market Regulation, promulgated on December 30, 2019 and taking effect on January 1, 2020), a listed foreign-funded company may, when the change of foreign investors' shareholding ratio accumulatively exceeds 5% or the foreign party's controlling or relatively controlling status changes, report the information on the modification of investors and the shares held by them.

Outbound Investment

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) (Order [2014] No.3 of the MOFCOM, promulgated by the MOFCOM on September 6, 2014 and taking effect on October 6, 2014), the MOFCOM and the provincial departments in charge of commerce shall conduct archive filing and verification management according to different circumstances of outbound investment of an enterprise. Where the outbound investment carried out by an enterprise involves sensitive countries and regions and sensitive industries, verification management shall be implemented. Archive filing management shall be implemented for other circumstances of outbound investment of an enterprise.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) (Order No.11 of the NDRC, promulgated on December 26, 2017 and taking effect on March 1, 2018), a domestic enterprise (the "Investor") within the People's Republic of China making an outbound investment shall obtain approval, conduct record-filing or other procedures applicable to outbound investment projects (the "Projects"), reporting relevant information, and cooperating with the supervision and inspection. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive Projects directly carried out by Investors, namely, non-sensitive projects involving investors' direct contribution of assets or rights and interests or provision of financing or guarantee shall be subject to record-filing. The aforementioned "sensitive project" means a project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the Catalog of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018 to lists the current sensitive industries in detail.

LABOR AND SOCIAL PROTECTION

The Labor Law of the People's Republic of China (《中華人民共和國勞動法》) (Order No. 24 of the President of the PRC, promulgated on July 5, 1994, amended on August 27, 2009 and December 29, 2018 and taking effect on December 29, 2018), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (Order No.73 of the President of the PRC, promulgated on June 29, 2007, amended on December 28, 2012 and taking effect on July 1, 2013) and the Regulations on Implementation of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) (Order No.535 of the State Council of the PRC, promulgated and taking effect on September 18, 2008), provides for the establishment of labor relationship between employing entities and workers, as well as the concluding, performance, dissolution and revision of the labor contracts. To establish a labor relationship, a written labor contract shall be signed. In the event that no written labor contract is signed at the time when a labor relationship is established, such contract shall be signed within one month after the date when the employment commences.

Pursuant to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) (Order No.25 of the President of the PRC, promulgated on October 28, 2010, amended and taking effect on December 29, 2018), the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (Order No.710 of the State Council, promulgated on January 22, 1999 and amended and taking effect on March 24, 2019), the Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》) (No.504 [1994] the Ministry of Labor, promulgated on December 14, 1994 and taking effect on January 1, 1995), the Regulations on Work-Related Injury Insurance (《工傷保險條例》) (Order No.586 of the State Council, promulgated on April 27, 2003, amended on December 20, 2010 and taking effect on January 1, 2011), and the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (Order No.710 of the State Council, promulgated on April 3, 1999, amended on March 24, 2002 and March 24, 2019 and taking effect on March 24, 2019), employing entity must pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees. If an employing entity fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If the rectification for social insurance registration is not made within the stipulated period, the employing entity shall be imposed a fine. If the payment for social insurance premiums is not made within the stipulated period, the relevant administration department shall impose a fine. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees by the expiration of the time limit, a fine shall be imposed. If an employing entity fails to make the payment and deposit of the housing provident fund within a prescribed time limit, an application may be made to the people's court for compulsory enforcement.

INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) (Order No.55 of the President of the PRC, promulgated on March 12, 1984, amended on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020 and taking effect on June 1, 2021), a patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a term of 20 years in the case of an invention, a term of ten years in the case of a utility model and a term of 15 years in case of a design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent expect for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

Trademark

Pursuant to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) (Order No.29 of the President of the PRC, promulgated on August 23, 1982 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and taking effect on November 1, 2019) and the Regulation on the Implementation of Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) (Order No.651 of the State Council of the PRC, promulgated on August 3, 2002 and amended on April 29, 2014 and taking effect on May 1, 2014), trademarks are registered with the Trademark Office of China National Intellectual Property Administration. The Trademark Law of the People's Republic of China adopts the principle of "first to file" while handling trademark registration. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or pending in application for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period. Trademark license agreements must be filed with the Trademark Office. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Overseas Listing

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

Pursuant to the Measures for Overseas Offering and Listing, domestic companies who seek for overseas offering and listing directly or indirectly or have their securities listed and traded in offshore markets, including (1) limited companies registered and established in the PRC; or (2) companies whose major business operations are located domestically and such offering and listing is based on the underlying equity, assets, earnings or other similar rights, shall fulfill the filing procedure with the CSRC within three business days after the relevant application is submitted overseas. If the filing procedures are not fulfilled, the CSRC shall order rectification, issue warnings to such domestic company, and impose a fine of between RMB1,000,000 and RMB10,000,000.

Pursuant to the Notice of Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies by the CSRC on February 17, 2023, domestic companies which had obtained the approval from the CSRC in relation to the overseas public offering and listing (including additional issuance) of securities of joint stock companies, shall continue to conduct overseas offering and listing within the validity period of the approval. If domestic companies do not complete overseas offering and listing within the validity period, they shall fulfill the filing procedure as required. On November 25, 2022, we obtained the approval from the CSRC regarding the offering of overseas listed foreign shares, which will be valid until November 24, 2023. Based on the above, our PRC Legal Adviser is of the view that, we do not need to fulfill the filing procedures for the Global Offering and Listing when our Company completes the overseas offering and listing before the expiration of the approval; while we still need to fulfill the filing procedures for the Global Offering and Listing under the requirements of the Measures for Overseas Offering and Listing when our Company fails to complete the overseas offering and listing before the expiration of the approval.

Cybersecurity

On December 28, 2021, the Cyberspace Administration of China and several other administrative departments issued the Measures for Cybersecurity Review (《網路安全審查辦法》), which has been implemented on February 15, 2022. The Measures for Cybersecurity Review requires that critical information infrastructure operators that purchase network products and services and data processing operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review in accordance to the measures. Among them, "network products and services" mainly refer to core network equipment, important communication products, high-performance computers and servers, large-scale storage area equipment, large-scale database and application software, network security equipment, cloud computing services, and other critical network products and services that have a significant impact on information infrastructure security, network security and data security.

The Measures for Cybersecurity Review provided that: (1) network platform operators who possess personal information of over a million users shall apply to the Cybersecurity Review Office for cybersecurity reviews before listing in a foreign country; (2) operators of critical information infrastructure purchasing network products and services, and data processors carrying out data processing activities that will or may affect national security, shall conduct cybersecurity review in accordance with the measure; (3) operators of critical information infrastructure, before purchasing network products and services, shall prejudge the national security risks that may arise after the products and services are put into use. If such products and services will or may affect national security, the operator shall apply for a cybersecurity review to the Cybersecurity Review Office.

The Group is principally engaged in specialized industrial construction business, specialized auxiliary construction business, other construction and non-construction business, does not involve data collection and process business, and does not handle personal data of over 1 million users. As of the Latest Practicable Date, the Group should not be regarded as network platform operator for the following reasons: (1) the PRC Cybersecurity Law defines network platform operator as "the owner, administrator of the network and network service provider (網絡的所有者、管理者和網絡服務提供者)", and as mentioned above, the Group principally engages in specialized industrial construction business, specialized auxiliary construction business, other construction and non-construction business, so the Group does not constitute a network platform operator as stipulated by the PRC Cybersecurity Law; and (2) Measures for Cybersecurity Review (2021) (《網絡安全審查辦法(2021)》) does not provide a definition of network platform operator; and (3) during the Track Record Period and up to the Latest Practicable Date, the Group has not yet received any notification from any PRC regulatory authorities (including the Cybersecurity Review Office) that the Group is identified as a network platform operator. We also enquired with and informed the China Cybersecurity Review Technology and Certification Centre (中國網絡安全審查技術與認證中心) on October 31, 2022 of our proposed Listing as a construction company, and was advised that our Group will not be subject to cybersecurity review in respect of the proposed Listing. As advised by our PRC Legal Advisor, the China Cybersecurity Review Technology and Certification Centre is the government authority responsible for matters in relation to cybersecurity. Based on the advice given by the PRC legal Advisor, nothing has come to the attention of the Directors and the Joint Sponsors that the Measures for Cybersecurity Review is applicable to the Group. Accordingly, the Measures for Cybersecurity Review will not have a material impact on the Listing of the Group.

OVERVIEW

Our history can be traced back to as early as 1952 when the Eighth Division of the Eighth Bureau of the Central Second Mechanical Industry Department (中央第二機械工業部八局第八工程處) of the PRC was formed as one of the earliest entities in the PRC specializing in industrial equipment installation. Over the past 70 years, we constantly evolve ourselves to match the economics and construction needs of the nation and has established ourselves in the specialized industrial construction and specialized auxiliary construction industries on China. We have also expanded our business to overseas markets in some of the countries under the "Belt and Road Initiatives" (namely, Vietnam, Indonesia and Bangladesh) and Australia.

In 1989, in order to strengthen the enterprise management, our Company, formerly known as "Shanxi Industrial Equipment Installation Company* (山西省工業設備安裝公司)", was registered as a whole people-owned enterprise wholly-owned by Shanxi Construction Engineering (Group) Corporation* (山西建築工程(集團)總公司, **"Shanxi Construction**"), the predecessor of Shanxi CIG (our Controlling Shareholder).

On November 27, 2012, pursuant to the reform proposal made by Shanxi Construction and approved by the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province (山西省人民政府國有資產監督管理委員會) ("**Shanxi SASAC**"), our Company was converted from a whole people-owned enterprise to a limited liabilities company. On December 31, 2021, our Company further reformed into a company limited by stock company and changed its name to "Shanxi Installation Group Co., Ltd. (山西省安裝集團股份有限公司)".

Throughout the years, our Group has, through the establishment of branch companies and subsidiaries, established our business in all provincial-level administrative regions across the PRC. We have also established subsidiaries in Australia and Vietnam in 2018 and 2020, respectively and set up a representative office in Bengal in 2019, respectively, to capture overseas' business opportunities.

MILESTONES

The following table sets forth the major events and milestones in our development:

Year		**Milestones/Events**
1989	–	Formally registered as a whole people-owned enterprise.
1992	–	Named as "Top 500 Construction Enterprises and Top 500 Best Economic Efficiency Construction Enterprises" by the Development Research Centre of State Council, China Enterprises Evaluation Centre (中國企業評價中心) and Fixed Assets Statistic Section of National Bureau of Statistics (國家統計局固定資產投資統計司).

Year	Milestones/Events
1995	– Received our first Luban Prize[Note] through our participation in the construction of terminal building of Taiyuan Wusu International Airport.
2002	– Obtained the first-class specialized contractor qualifications in electromechanical equipment installation engineering, fire-fighting facilities installation engineering, smelting electromechanical equipment installation engineering, petrochemical equipment pipeline equipment installation engineering, furnace engineering.
2003	– Our construction method, namely "Prebaked Anode Electrolyzers Construction Method" (預焙陽極電解槽施工工法) was recognized as "National Level Construction Method" by the Ministry of Construction of the PRC (中國建設部).
2004	– Named as "Nationwide Users Satisfaction Construction Enterprise" (全國用戶滿意施工企業) by the Engineering Construction User Working Committee of the China Association of Construction Enterprise Management (中國施工企業管理協會工程建設用戶工作委員會).
2012	– Converted from a wholly people-owned enterprise to a limited liabilities company.
2014	– Named as "China Top 100 Growing Construction Enterprise" (中國建築業成長性百強企業) by China Construction Industry Association (中國建築業協會).
2015	– Completion of our Technology and Development Center, a comprehensive building of total floor area of 40,299.02 square meter with integrated scientific research, design, testing, testing and technical exchange functions. The project also earned us another Luban Award in 2017 as the main contractor;
	– Named as "High-tech Enterprise" by Shanxi Science and Technology Bureau, Shanxi Finance Bureau and Shanxi Provincial Tax Service, State Taxation Administration and Local Taxation Bureau of Shanxi Province.
2016	– Became one of the nine companies in the PRC to obtain the Premium Grade Qualifications for General Contracting for Petrochemical Engineering Construction;

Year	Milestones/Events
	– Completed the construction of "Taigu Heat Supply Resource Project (太古供熱熱源工程)" which is capable to supply heat covering 76 million square meter and was the largest single heating source project in Asia at the time of its completion.
2017	– Obtained the Premium Grade Qualifications for General Contracting for Municipal Public Engineering Construction and the Grade A Qualifications for Municipal Engineering Industry Design, and became the first company in the PRC to have the Premium Grade Qualifications for General Contracting of both Petrochemical Engineering Construction and Municipal Public Engineering Construction, and the Grade A Qualifications for Chemical, Petrochemical and Pharmaceutical Industry Design and Municipal Engineering Industry Design;
	– Obtained from MOFCOM the Qualification of Foreign Aid Complete Project General Contracting Enterprise.
2018	– Shan'an Bluesky was listed on the NEEQ.
2019	– Awarded with two large-scale wind turbine projects in Vietnam, which was our largest overseas project at the time.
2020	– Awarded as the National Quality Benchmark Construction Enterprise (2020年全國質量標桿建築企業) for our implementation of iPS high quality development model based on TQM, being the only construction company received such award in 2020.
2021	– Converted from a limited liabilities company to a joint stock company;
	– Received the 19th China Quality Award from China Association for Quality (中國質量協會).
2022	– Awarded the 19th Tien-yow Jeme Civil Engineering Prize (第19屆中國土木工程詹天佑獎) for Gujiao Xingneng Power Plant to Taiyuan Heat Supply Main Line and Relay Energy Station Engineering in the "Taigu Heat Supply Resource Project (太古供熱項目)".
	– Received the ARE-QP Award (亞洲質量卓越獎).

Note: "Luban Prize" (魯班獎) is the abbreviation of "China Construction Project Luban Prize (National Prime-quality Project) (中國建設工程魯班獎(國家優質工程)) jointly presented by the Ministry of Housing and Urban-Rural Development of the PRC and the China Construction Industry Association, formerly known as the "Construction Project Luban Prize" and the "National Prime-quality Project Award". In 1996, the two prizes merged into the "Luban Prize" and became the highest award for construction projects with quality in China. As of the Latest Practicable Date, we have received 14 Luban Prize.

CORPORATE DEVELOPMENT

Major changes in the shareholding of our Company

Our Company was registered in November 1989 as a whole people-owned enterprise and our registered capital was wholly owned by Shanxi Construction.

By 2006, the registered capital of our Company has been increased to RMB70.21 million through three increases. All increases were contributed by Shanxi Construction in kind.

On November 27, 2012, pursuant to the reform proposal made by Shanxi Construction and approved by Shanxi SASAC, our Company was converted to a limited liability company. Upon completion of the conversion, the registered capital of our Company was RMB100 million, of which, 51% owned by Shanxi Construction and 49% (the "**Employee Shares**") owned by 931 individuals (the "**Individual Shareholders**"). Due to legal constraint and for effective management of the Individual Shareholders, 20 members of the then Individual Shareholders who were also members of the then management team of our Company (the "**Nominee Shareholders**") were nominated to hold the legal ownership of the Employee Shares on behalf of the Individual Shareholders.

On January 15, 2015, pursuant to 14 share transfer agreements, the composition of the Nominee Shareholders changed and the number of Nominee Shareholders also decreased from 20 to 10. The said transfers took place for the reason that certain Nominee Shareholders were leaving the Company and thus, no longer suitable to act as the Nominee Shareholders and to hold the Employee Shares for the Individual Shareholders. The said transfers were completed in April 2015. Immediately after the said transfers, the registered capital of our Company was owned as to 51% by Shanxi Construction and 49% was held by the then 10 Nominee Shareholders for the Individual Shareholders.

On April 21, 2016, the registered capital of our Company was increased to RMB400 million. On February 7, 2017, the registered capital of our Company was further increased to RMB1,000 million.

On April 21, 2018, one of the Nominee Shareholders transferred 3.58% and 3.07% equity interests in our Company to Mr. Wang Limin and Mr. Ren Rui (both as Nominee Shareholders) respectively and as a result, the number of Nominee Shareholders increased from 10 to 11. The said transfers took place for the reason that the then existing Nominee Shareholder was leaving the Company and thus, no longer suitable to act as the Nominee Shareholders and to hold the Employee Shares for the Individual Shareholders. The said transfers were completed in May 2018.

In the preparation of our conversion into a joint-stock company, on August 23, 2021, pursuant to a share transfer agreement, all the then 11 Nominee Shareholders (with the approval of the Individual Shareholders' meeting) transferred the legal title and beneficial ownership in the Employee Shares, being 49% equity interest in the registered capital of our Company, to Shanxi CIG at the total consideration of RMB392 million. Immediately before the said transfers, there were 817 Individuals Shareholders.

Subsequently on August 31, 2021, Shanxi CIG transferred 2% equity interest in our Company to Shanghai Rongda, a wholly-owned subsidiary of Shanxi CIG, at nil consideration. The reason for introducing Shanghai Rongda as our Shareholder was because under the relevant PRC law, a joint stock company must have at least two shareholders.

In December 2021, with Shanxi CIG and Shanghai Rongda as our promoters, our Company proposed to change our legal form from a limited liability company to a joint stock company. As of December 29, 2021, the registered capital of our Company, being RMB1,000 million, has been credited as fully paid up by our promoters in the form of the net assets of our Company. On December 31, 2021, we obtained the new business license and thus the change of our legal form was completed.

As of the Latest Practicable Date, our Company was owned as to 98% by Shanxi CIG and 2% by Shanghai Rongda respectively.

Shareholders dispute

In December 2022, a former Individual Shareholder of the Company (the **"Plaintiff"**) had initiated a litigation against the Company and two former Nominee Shareholder (in which Shanxi CIG is also a defendant), alleging that his equity interests in the Company had been transferred without his prior consent and that he claimed for the payment of RMB5,000,000 of additional dividend of the Company other than the amount of dividend which he was entitled to and settled by our Group. On May 16, 2023, our Group received a hearing summons from the People's Court of Xiaodian District, Taiyuan City (the "**People's Court**") and the pre-trial meeting was conducted at the People's Court on July 13, 2023. On September 21, 2023, the case was tried at the People's Court, during which the Plaintiff has altered one of the claims and it was requested that Shanghai Rongda to be added as the third party to the case. Given that the Plaintiff only altered his claims during the trial, the Court ordered that a period for collection of evidence (舉證期) and preparation for defence (答辯期) shall be granted to the relevant defendants. The trial was held on October 16, 2023, and the parties have the intention to attempt settlement and as of November 1, 2023, application had been made to the People's Court for settlement. Accordingly, the People's Court will stay the proceedings in favour of settlement progress.

As disclosed above, our Company was converted into a limited liability company and its Employee Shares were held by 20 Nominee Shareholders and subsequently 11 Nominee Shareholders on behalf of the Employee Shareholders. With the approval of a general meeting of the Employee Shareholders in August 2021, Employee Shareholders has transferred their equity interest to Shanxi CIG. All dividends entitled by the Employee Shareholders up to August 2021 had been fully settled by the Company. The Plaintiff was never an employee of the Group but was granted Employee Shares due to the fact that the Group had been planning to employ the Plaintiff for business development considering that the Plaintiff has construction resources and can bring certain project opportunities to the Group. The Company planned to appoint Plaintiff as its employee. Moreover, when the Plaintiff subscribed for the Employee Shares in November 2012, he did not express any intention of not agreeing to become an employee of the Company and paid the equity subscription amount accordingly. The Employee Shares Plan was implemented by the Company in November 2012 and at the material time of the subscription of the Employees Shares, save for the Plaintiff, all of the subscribers were then the employees of the Group.

The PRC Legal Advisors are of the view that although the Plaintiff's shareholding does not comply with the relevant provisions of the "Approval of the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province on the Overall Restructuring Plan of Shanxi Province Industrial Equipment Installation Company" and the "Internal Equity Management Measures of the Overall Restructuring of Shanxi Province Industrial Equipment Installation Company" that the persons holding the shares need to be the management and employees of the enterprise. However, given that: (1) as at the Latest Practicable Date, the Group has not been subject to any penalty; (2) the Company has convened a general meeting of shareholders of Employee Shares on August 23, 2021 to consider the matter of regulation of Employee Shares and has conducted a cleanup of the Employee Shares to ensure compliance of the regulation of Employee Shares; (3) the Company has obtained a written opinion from SSCO, which as advised by the PRC Legal Advisor, is the competent authority of state-owned assets, confirming that the scope, manner and other matters in relation to the regulation of Employee Shares of the Company are in compliance with the relevant rules, and the transfer price of the Employee Shares which was determined in accordance with the provisions of the Company's management measures for employee shareholding and was in line with the actual situation of the Company, and that the formation, evolution, management and regulated withdrawal of the Company's Employee Shares were genuine and effective, and there is no evidence of loss of state assets; and (4) Shanxi CIG has issued an undertaking and will be responsible for handling and resolving any disputes or potential disputes arising from the failure of the one employee shareholders to sign the consent documents, and it shall be responsible for any losses caused to the Company as a result. Therefore, the PRC Legal Advisors are of the view that these circumstances will not have a material adverse impact on the daily operations and financial position of the Company. As of the Latest Practicable Date, our Group has negotiated and communicated with the Plaintiff regarding the aforementioned dispute, and informed the Plaintiff that after signing the authorisation letter and corresponding documents, our Group can assist the Plaintiff in withdrawing the equity transfer funds deposited in the capital supervision account maintained by a notary public. However, due to disputes over the proportion, amount, and legality of the Transfer of Shares that is in issue, as of the Latest Practicable Date, the Plaintiff has yet to agree to sign the relevant documents and withdraw the equity transfer funds. As of the Latest Practicable Date, all other Individual Shareholders have received the respective payment of the Transfer of Shares.

Our Group had been advised by the legal counsel responsible for the dispute, in which our Group and the Joint Sponsors concur, that it is likely that our Group will be able to defend from the claims from the Plaintiff. The Transfer of Shares had been duly completed in August 2021 where the Individual Shareholders had ceased to hold any interests in the Company and are no longer shareholders of the Company. Our Directors are of the view that as the Individual Shareholders, including the Plaintiff, are no longer shareholders of the Company, the entitlement of dividends of the Company had ceased in August 2021. Even if the Plaintiff is successful with his claim, there will not be any material adverse impact on our Group's operation and financial position, due to the following reasons: (i) our Group has fulfilled the notification procedures for the convening of the general meeting of the Individual Shareholders to deliberate on the standardization of Employee Shares, and the Plaintiff did not attend the relevant meeting and sign the relevant documents due to personal reasons. Our Group has lawfully convened the meeting and deliberated and approved the standardization of Employees' Shares under the witness of a notary on August 23, 2021. The convening and holding procedures of the meeting and the resolution content are legal and valid; (ii) our Group has obtained a written opinion from the State-owned Assets Supervision and Administration Department (i.e. the Shanxi Province State-owned Capital Operation Company Limited), a competent entity to issue such opinion on the Management and Standardization of Employees Shares, confirming that the scope and methods of standardization of Employee Shares by our Group comply with relevant regulations, and the pricing principle for the transfer of Employee Shares is determined in accordance with the provisions of the Measures for the Management of Employee Shareholding of the Group, which is consistent with the actual situation of our Company. The formation, evolution, management, and standardized exit behavior of Employee Share are real and effective, and no situation of causing the loss of state-owned assets has been found and that Shanxi Province State-owned Capital Operation Company Limited had confirmed it will not impose any penalty on the Group under the existing policies on Supervision of State-owned assets; (iii) Shanxi CIG has undertaken that any disputes or potential disputes arising from the failure of the Transfer of Shares of the Plaintiff to sign the agreement documents shall be handled and resolved by Shanxi CIG and any losses to our Group shall be the responsibility of Shanxi CIG; and (iv) the Plaintiff's claim of RMB1 million in capital contribution only accounts for 0.10% of the Company's current registered capital. Based on the above, our PRC Legal Advisor is of the view that, which the Joint Sponsors concur, as there are no disputes on controversies in relation to the majority of Shares of the Company, the dispute will not have a material adverse impact on shareholding stability of the Company and that there will not be any material adverse impact on the daily operation and financial position of the Company.

Our Major Subsidiaries

As of the Latest Practicable Date, our Group had 39 subsidiaries and the details of our major subsidiaries are set forth below:

1. Shan'an Bluesky

Shan'an Bluesky was established in Taiyuan City, Shanxi Province, the PRC as a limited liability company on June 23, 2015 with an initial registered capital of RMB100 million. Upon its establishment, Shan'an Bluesky was owned as to 56% and 44% by our Company and Tianjin Zhongneng Bluesky Energy Conservation Technology Development Company Limited* (天津中能藍天節能技術開發有限公司), an Independent Third Party. As of October 31, 2023, Shan'an Bluesky was owned as to approximately 56.77% by our Company, owned as to approximately 33.75% by Tianjin Zhongneng Bluesky Energy Conservation Technology Development Company Limited* and owned as to 9.48% by members of the public.

Shan'an Bluesky is principally engaged in the investment, development and operation of clean heating and heat and power generation projects. Shan'an Bluesky has been listed on the National Equities Exchange and Quotations since November 2018.

To the best knowledge of our Directors after making all reasonable enquiries made with the relevant authorities and based on the public information on the websites of the CSRC and the NEEQ, our Directors confirmed, and the Joint Sponsors concur, that since the shares of Shan'an Bluesky were listed on the NEEQ and up to the Latest Practicable Date, Shan'an Bluesky, its substantial shareholders and directors were not involved in any material non-compliance with applicable laws and regulations and have not been subject to any investigation or disciplinary actions by any regulatory authority nor have they materially breached any of the relevant rules.

2. Shan'an Lide

Shan'an Lide was established in Taiyuan City, Shanxi Province, the PRC as a limited liability company on December 31, 2015 with an initial registered capital of RMB30 million. Upon its establishment, Shan'an Lide was owned as to 75% and 25% by our Company and Beijing Dezhao Environmental Projects Company Limited* (北京德兆環保工程有限公司) ("**Beijing Dezhao**"). On August 18, 2016, Mr. Jia Lijun (賈立軍), then general manager of Shan'an Lide, purchased 25% equity interests in Shan'an Lide from Beijing Dezhao at a consideration of RMB10,000. On September 28, 2016, the registered capital of Shan'an Lide was increased to RMB100 million. Subsequently in 2019, Mr. Jia Lijun transferred the said 25% equity interests in Shan'an Lide to Shanxi Baoyuan Environmental Technology Company Limited* (山西保源環保科技有限公司), an Independent Third Party at a consideration of RMB10,000. The registration in respect of the abovementioned equity transfer on April 1, 2019. The considerations of the said transfers were determined at a nominal value as at the time of both transfers, the relevant outgoing shareholder had not made any contribution to the registered capital of Shan'an Lide. As of the Latest Practicable Date, Shan'an Lide was owned as to 75% and 25% respectively by our Company and Shanxi Baoyuan Environmental Technology Company Limited.

Shan'an Lide is principally engaged in the investment, development and operation of solid waste treatment projects for construction wastes, domestic wastes, catering wastes, industry wastes and hazardous wastes.

3. Shanxi Shan'an Biquan Haimian City Technology Company Limited* (山西山安碧泉海綿城市科技有限公司) ("Shan'an Biquan")

Shan'an Biquan was established in Taiyuan City, Shanxi Province, the PRC as a limited liability company on July 18, 2016 with an initial registered capital of RMB100 million. Upon its establishment and up to the Latest Practicable Date, Shan'an Biquan was wholly owned by our Company.

Shan'an Biquan is principally engaged in the investment, development and operation of water supply, water resources recycling, water ecological environment protection, wastewater treatment and reuse projects.

4. Shanxi Shan'an Maode Distributed Energy Technology Company Limited* (山西山安茂德分布式能源科技有限公司) ("Shan'an Maode")

Shan'an Maode (formerly known as Shanxi Shan'an Maode Solar Energy Technology Company Limited* (山西山安茂德太陽能科技有限公司)) was established in Taiyuan City, Shanxi Province, the PRC as a limited liability company on July 18, 2016 with an initial registered capital of RMB300 million. Upon its establishment and up to the Latest Practicable Date, Shan'an Maode was wholly owned by our Company.

Shan'an Maode is principally engaged in the investment, development and operation of wind power, solar power, geothermal power, hydrogen power generation projects and excessive heat reuse projects.

5. Shanghai Shan'an Construction Engineering Company Limited* (上海山安建設工程有限公司) ("Shanghai Shan'an")

Shanghai Shan'an was established in Shanghai City, the PRC as a limited liability company on April 14, 2017 with an initial registered capital of RMB100 million. Upon its establishment and up to the Latest Practicable Date, Shanghai Shan'an was wholly owned by our Company.

Shanghai Shan'an is principally engaged in electrical, pipeline and equipment installation, urban rail transit construction, smart electronic devices and fire service installation, solar power generation construction and other building installations.

6. Guangdong Shan’an Construction Engineering Company Limited* (廣東山安建設工程有限公司) (“Guangdong Shan’an”)

Guangdong Shan’an was established in Guangzhou City, Guangdong Province, the PRC as a limited liability company on May 10, 2018 with an initial registered capital of RMB100 million. Upon its establishment and up to the Latest Practicable Date, Guangdong Shan’an was wholly owned by our Company.

Guangdong Shan’an is principally engaged in electrical, pipeline and equipment installation, building decoration installation, smart electronic devices and fire service installation, wind power generation construction, solar power generation construction and other building installations.

7. Sichuan Shan’an Construction Engineering Company Limited* (四川山安建設工程有限公司) (“Sichuan Shan’an”)

Sichuan Shan’an was established in Chengdu City, Sichuan Province, the PRC as a limited liability company on September 14, 2021 with an initial registered capital of RMB100 million. Upon its establishment and up to the Latest Practicable Date, Sichuan Shan’an was wholly owned by our Company.

Sichuan Shan’an is principally engaged in water source and water supply facilities construction, pipeline and equipment installation, energy conservation and environmental protection construction, water supply and drainage construction, gas heating engineering construction, building construction, wind power generation construction and solar power generation construction.

8. Shanxi Zhuo’an Materials Trading Company Limited* (山西卓安物資貿易有限公司) (“Zhuo’an Materials”)

Zhuo’an Materials was established in Taiyuan City, Shanxi Province, the PRC as a limited liability company on May 22, 2015 with an initial registered capital of RMB3.1 million. Upon its establishment and up to the Latest Practicable Date, Zhuo’an Materials was wholly owned by our Company.

Zhuo’an Materials is principally engaged in building materials trading, leasing, sales and construction of temporary structures on construction sites, leasing and trading of standardized facilities for safe and civilized construction and large-scale equipment at construction sites.

Disposal of Yu’an Hengchuang

Yu’an Hengchuang is a limited liability company established in the PRC on June 26, 2014 and is principally engaged in the lease of construction and general equipment and the provision of labor subcontracting services and construction machineries leasing services businesses. During the Track Record Period, Yu’an Hengchuang mainly provided labor subcontracting and machinery and equipment leasing services to other members of our Group. Immediately before the disposal by us of its 31% equity interest described hereinbelow, Yu'an Hengchuang was owned as to 51% by our Company and 49% by Shanxi Qi'an Human Resources Management Company Limited* (山西琦安人力資源管理有限公司, an Independent Third Party) ("**Qi'an HR Management**"), respectively.

As our goal is to become the most competitive construction service provider in China, we strive to provide integrated design consultation, investment, construction, operation and maintenance for the whole construction cycle to our customers through the business model. Given that the principal business of Yu'an Hengchuang is the provision of labor subcontracting services, which is a low-skill and labor-intensive business, our Directors consider the principal business of Yu'an Hengchuang is not directly coherent with our vision and business strategies, we decided to dispose 31% of the equity interest in Yu'an Hengchuang to SCIG Group. Pursuant to a share allocation agreement dated December 29, 2021 entered into between our Company and Shanxi Exquisite Construction Workforce Company Limited* (山西精匠建築勞務有限公司, an associate of Shanxi CIG) ("**Shanxi Exquisite**"), we disposed 31% equity interest owned by us in Yu'an Hengchuang to Shanxi Exquisite at nil consideration. As at the time of the transfer, both Shanxi Exquisite and our Company were state-owned companies, the transfer of 31% equity interest in Yu'an Hengchuang by our Company to Shanxi Exquisite was conducted at zero consideration in accordance with applicable PRC laws and regulations as both parties to the transaction were wholly state-owned enterprises at the time of the transaction. Our PRC Legal Advisor is of the view that the said disposal has been conducted in compliance with the relevant PRC laws governing the disposal of state-owned assets. Upon completion, Yu'an Hengchuang was owned as to 20% by our Company, 31% by Shanxi Exquisite and 49% by Qi'an HR Management, respectively and thus ceased to be our subsidiary.

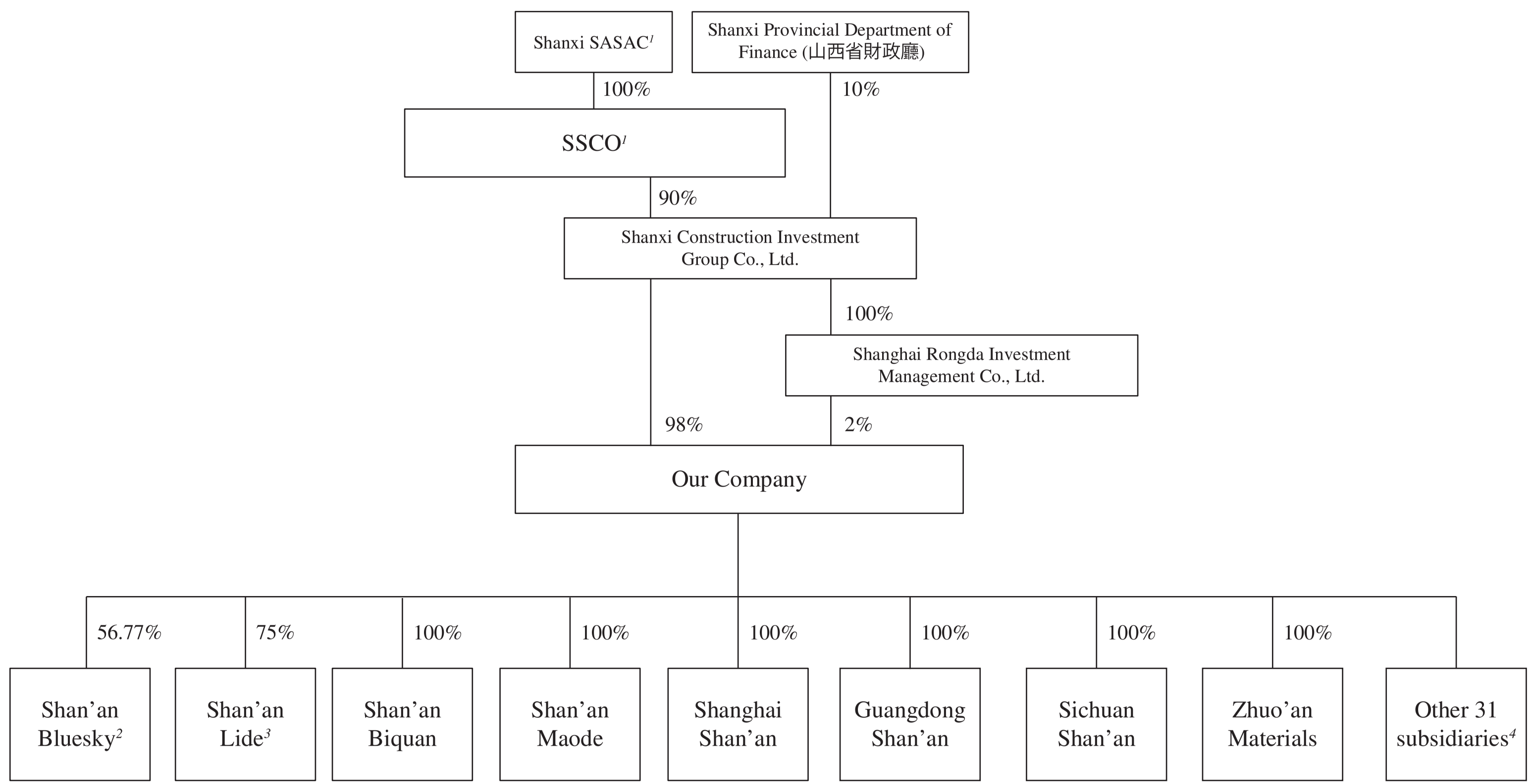
Although the principal business of Yu'an Hengchuang is not directly coherent with our strategies for principal business, due to the nature of our Group's business, we require large number of labors to work in our projects. By holding 20% interests in Yu'an Hengchuang, we would be able to maintain certain level of influence in Yu'an Hengchuang so that it would be easier for our Group to secure labor supply during peak seasons.

As of the Latest Practicable Date, the above transfers have been properly and legally completed.

Save as disclosed above, our Group has no other material acquisitions or disposals during the Track Record Period and up to the Latest Practicable Date.

CORPORATE STRUCTURE PRIOR TO THE GLOBAL OFFERING

The following chart sets out our corporate structure as of the Latest Practicable Date:



Notes:

1. As Shanxi SASAC and SSCO fall within the definition of "PRC Governmental Body" under Rule 19A.04 of the Listing Rules, they are not considered as controlling shareholders of our Company pursuant to Rule 19A.14 of the Listing Rules.

2. As of October 31, 2023, the remaining approximately 43.23% equity interest of Shan'an Bluesky was owned as to approximately 33.75% by Tianjin Zhongneng Bluesky Energy Conservation Technology Development Company Limited* (天津中能藍天節能技術開發有限公司), which is, save as its shareholding interests in Shan'an Bluesky, an Independent Third Party and as to approximately 9.48% by members of the public in the PRC.

3. As of Latest Practicable Date, the remaining 25% equity interest of Shan'an Lide was owned by Shanxi Baoyuan Environmental Technology Company Limited* (山西保源環保科技有限公司), which is, save as its shareholding interests in Shan'an Lide, an Independent Third Party.

4. Set out below are the details of our other 31 subsidiaries:

	Name	Place of incorporation	Equity interest owned by our Group	Other shareholder(s)
(1)	Shanxi Shan'an Maode Electricity Supply Company Limited* (山西山安茂德售電有限公司)	PRC	100%	Not applicable
(2)	Gaoping Xinshi Yangtian Solar Power Company Limited* (高平市鑫時陽田光伏發電有限公司)	PRC	100%	Not applicable
(3)	Pingyao Shan'an Maode Solar Technology Company Limited* (平遙縣山安茂德太陽能科技有限公司)	PRC	100%	Not applicable
(4)	Son Tay Viet Nam Construction Company Limited	Vietnam	100%	Not applicable
(5)	Australian Shan An Construction Engineering Pty Limited	Australia	100%	Not applicable
(6)	Shanxi Shan'an Deyuchen Energy Technology Company Limited* (山西山安德昱辰能源科技有限公司)	PRC	80%	As of Latest Practicable Date, the remaining 20% equity interest was owned by Shanxi Haochen Energy Technology Company Limited* (山西浩宸能源科技有限公司), an Independent Third Party.

	Name	Place of incorporation	Equity interest owned by our Group	Other shareholder(s)
(7)	Shanxi Ningyang Energy Company Limited* (山西寧揚能源有限公司)	PRC	51%	As of Latest Practicable Date, the remaining 49% equity interest was owned as to 25% by Mr. Gao Yang (高揚) and as to 24% by Ms. Gao Yue (高越), both of whom are Independent Third Parties.
(8)	Gaoping Shan'an Five Roads One River Construction Development Company Limited* (高平市山安五路一河建設發展有限公司)	PRC	95%	As of Latest Practicable Date, the remaining 5% equity interest was owned by Gaoping Urban-Rural Municipal Construction Company Limited* (高平市城交市政建設有限公司), an Independent Third Party.
(9)	Lingchuan Shan'an Construction Development Company Limited* (陵川山安建設發展有限公司)	PRC	90%	As of Latest Practicable Date, the remaining 10% equity interest was owned by Lingchuan Urban Public Facilities Investment Company Limited* (陵川縣城市公共設施投資有限公司), an Independent Third Party.
(10)	Huguan Shan'an Two Roads Three Streets Construction Development Company Limited* (壺關縣山安兩路三街建設發展有限公司)	PRC	90%	As of Latest Practicable Date, the remaining 10% equity interest was owned by Huguan Urban Development Investment Company Limited* (壺關縣城建開發投資有限公司), an Independent Third Party.
(11)	Changzhi Shan'an Construction Development Company Limited* (長治市山安建設發展有限公司)	PRC	90%	As of Latest Practicable Date, the remaining 10% equity interest was owned by Changzhi Urban-Rural Prosperous Infrastructure Construction Development Company Limited* (長治市郊區興盛基礎設施建設開發有限公司), an Independent Third Party.

	Name	Place of incorporation	Equity interest owned by our Group	Other shareholder(s)
(12)	Xiangyuan Shan'an Road and Bridge Construction Development Company Limited* (襄垣縣山安路橋建設發展有限公司)	PRC	80%	As of Latest Practicable Date, the remaining approximately 20% equity interest was owned by Xiangyuan Xingtong Urban Construction Investment Management Company Limited* (襄垣縣興通城市建設投資管理有限公司), an Independent Third Party.
(13)	Qinshui Shan'an Culture and Sport Construction Development Company Limited* (沁水山安文體建設發展有限公司)	PRC	95%	As of Latest Practicable Date, the remaining approximately 5% equity interest was owned by Qinshui Hengda Urban Development Investment Company Limited* (沁水縣恒達城市開發投資有限公司), an Independent Third Party.
(14)	Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited* (昔陽山安綜合管廊建設發展有限公司)	PRC	90%	As of Latest Practicable Date, the remaining approximately 10% equity interest was owned by Xiyang State-owned Assets Operation Company Limited* (昔陽縣國有資產經營有限公司), an Independent Third Party.
(15)	Linfen Shan'an Waterwork Development Company Limited* (臨汾市山安水務發展有限公司)	PRC	Our Company – 85.67% Shan'an Biquan – 9.52%	As of Latest Practicable Date, the remaining approximately 4.81% equity interest was owned by Linfen City Protective Residential Project Investments Company Limited* (臨汾市保障性安居工程投資有限公司), an Independent Third Party.

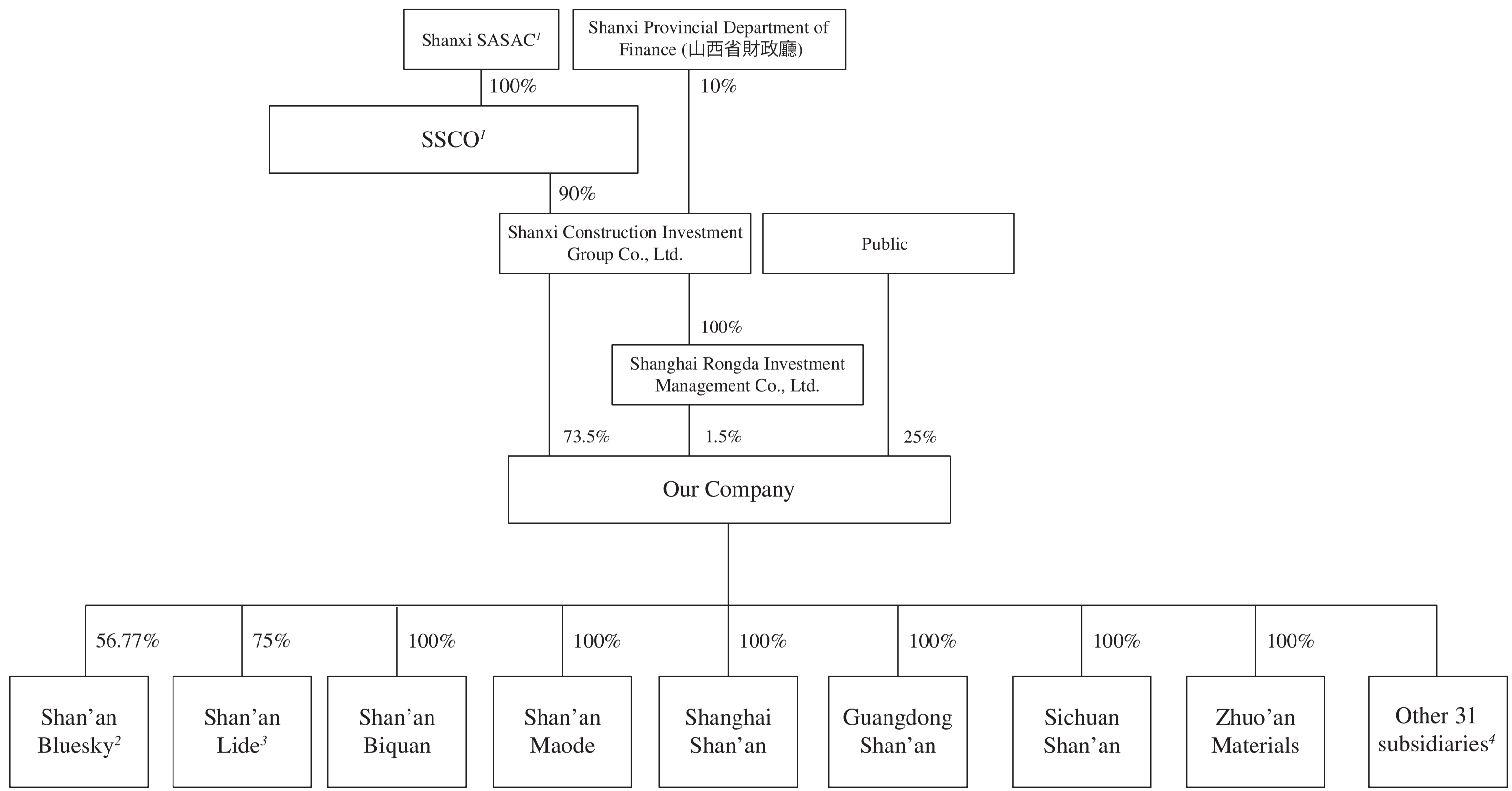
	Name	Place of incorporation	Equity interest owned by our Group	Other shareholder(s)
(16)	Xinjiang Shan'an Waterwork Management Company Limited* (新絳縣山安水利管理有限公司)	PRC	Our Company – 60% Shan'an Biquan – 30%	As of Latest Practicable Date, the remaining 10% equity interest was owned by Xinjiang Ronglin State-owned Assets Investment Management Company Limited* (新絳縣融霖國有資產投資管理有限公司), an Independent Third Party.
(17)	Jiexiu Shan'an Waterwork Construction Development Company Limited* (介休山安水利建設發展有限公司)	PRC	Our Company – 75% Shan'an Biquan – 5%	As of Latest Practicable Date, the remaining 20% equity interest was owned by Jiexiu City Water Investment Construction Company Limited* (介休市水務投資建設有限責任公司), an Independent Third Party.
(18)	Shanxi Shan'an Lida Environmental Technology Company Limited* (山西山安立達環保科技有限公司)	PRC	Our Company – 40% Shan'an Lide – 25%	As of Latest Practicable Date, the remaining 35% equity interest was owned by Zhengzhou Huajie Environmental Technology Company Limited* (鄭州華潔環保科技有限公司), an Independent Third Party.
(19)	Shanxi Shan'an Yunneng Environmental Technology Company Limited* (山西山安運能環保科技有限公司)	PRC	Our Company – 41% Shan'an Lide – 19%	As of Latest Practicable Date, the remaining 40% equity interest was owned by Shanxi Yunneng New Energy Company Limited* (山西運能新能源有限公司), an Independent Third Party.
(20)	Liulin Shan'an Bluesky Heating Company Limited* (柳林山安藍天熱力有限公司)	PRC	Our Company – 10% Shan'an Bluesky – 90%	See Note 2
(21)	Qinshui Shan'an Construction Development Company Limited* (沁水山安建設發展有限公司)	PRC	80%	As of Latest Practicable Date, the remaining 20% equity interest was owned by Qinshui Hengda Urban Development Investment Company Limited* (沁水縣恒達城市開發投資有限公司), an Independent Third Party.

	Name	Place of incorporation	Equity interest owned by our Group	Other shareholder(s)
(22)	Yangquan Shan'an Construction Development Company Limited* (陽泉山安建設發展有限公司)	PRC	80%	As of Latest Practicable Date, the remaining 20% equity interest was owned by Yangquan Beichen New Technologies Construction Investment Company Limited* (陽泉北辰新科建設投資有限公司), an Independent Third Party.
(23)	Charhar Youyi Houqi Shan'an Heat and Electricity Company Limited* (察哈爾右翼後旗山安熱電有限公司)	PRC	Our Company – 20% Shan'an Bluesky – 60%	As of Latest Practicable Date, the remaining 20% equity interest was owned by Inner Mongolia Junneng Thermal Power Company Limited* (內蒙古君能熱力有限公司), an Independent Third Party.
(24)	Hubei Shan'an Construction Engineering Company Limited* (湖北山安建設工程有限公司)	PRC	100%	Not applicable
(25)	Jianzhong Shan'an Lide Solid Waste Utilization Technology Company Limited* (晉中山安立德固廢利用科技有限公司)	PRC	Our Company – 49% Shan'an Lide – 5%	As of Latest Practicable Date, the remaining 46% equity interest was owned by Jinzhong Duo'ang Environmental Technology Company Limited* (晉中多昂環保科技有限公司), an Independent Third Party.
(26)	Shaanxi Shan'an Construction Engineering Company Limited* (陝西山安建設工程有限公司)	PRC	100%	Not applicable
(27)	Shan'an Construction Pty Ltd	Australia	100%	Not applicable
(28)	Yuanping Shan'an Biquan Water Affairs Development Company Limited* (原平市山安碧泉水務發展有限公司)	PRC	Our Company – 49% Shan'an Biquan – 51%	Not applicable
(29)	Wenshui Shan'an Biquan Water Affairs Development Company Limited* (文水縣山安碧泉水務發展有限公司)	PRC	Our Company – 49% Shan'an Biquan – 51%	Not applicable

	Name	Place of incorporation	Equity interest owned by our Group	Other shareholder(s)
(30)	Yushe County Shan'an Xinyuan Company Limited* (榆社縣山安新源有限公司)	PRC	100%	Not applicable
(31)	Liaoning Yingkou Shan'an New Energy Company Limited* (遼寧營口山安新能源有限公司)	PRC	100%	Not applicable

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth our corporate structure immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Note: please refer to notes in pages 134 to 139 above.

OVERVIEW

We are a construction service provider based in Taiyuan, a city in Shanxi Province, China. We engage in specialized industrial construction, specialized auxiliary construction, other construction and non-construction business, ranking first among more than 500 specialized industrial construction contracting companies in Shanxi Province and fifth among more than 10,000 specialized industrial construction contracting companies in China according to Frost & Sullivan in terms of revenue in 2022. During the Track Record Period, the majority of our revenue were generated from Shanxi Province. For each of the three years ended December 31, 2022 and the six months ended June 30, 2023, our revenue attributable to Shanxi Province were RMB6,999.7 million, RMB8,690.7 million, RMB8,708.2 million and RMB2,841.7 million, which accounted for approximately 69.0%, 65.8%, 68.3% and 55.7% of our total revenue of our Group attributable to Mainland China, respectively.

According to Frost & Sullivan, we are the first construction service provider to obtain the Premium Grade Qualifications of General Contracting for Petrochemical Engineering Construction and Municipal Public Engineering Construction, and Grade A Qualifications for Chemical, Petrochemical and Pharmaceutical Industry Design and Municipal Engineering Industry Design (雙特雙甲) in China, which is the highest qualification granted to construction contractors in China.

We offer a wide range of services, from (i) design and consulting, (ii) investment and construction, (iii) building construction, to (iv) operation and maintenance. As of the Latest Practicable Date, we have the following qualifications for construction contracting:

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

OUR STRENGTHS

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

We are an experienced construction service provider.

We are an experienced construction service provider with a strong track record. According to Frost & Sullivan, we are one of the first few construction companies introducing new methodologies, practising new technology, energy saving and emission reduction, and efficient supply in the construction industry in the PRC. We have strong track record in delivery of construction project, including the Gujiao Xingneng Power Plant Heating Project (古交興能電廠熱源項目). This is a project using new methodologies, practising new technology, energy saving and emission reduction, and efficient supply, which is also a transformation project that we entered the high-end field of the construction industry and attempted to implement contract energy management for the first time. In June 2020, our BIM+AIoT construction management and control platform (BIM+AIoT施工管控平台) was awarded the science and technology achievement evaluation certificate (科技技術成果評價證書) by the Zhongke Hechuang (Beijing) Scientific and Technological Achievement Evaluation Center ("**Evaluation Center**"), a third-party professional scientific and technological achievement evaluation institution recognised by the Ministry of Science and Technology of the PRC. The Evaluation Center concluded that our self-developed BIM+AIoT construction management and control platform thoroughly integrates the three technologies of computer technology BIM, Internet of Things (IoT) and artificial intelligence (AI) with the whole process of building construction, and realizes on-site real-time positioning of personnel, equipment, and materials on site, timely detect omissions and abnormal behaviors, realize joint actions of automated supervision facilities, and improve emergency response speed and incident handling speed. This platform lays a solid foundation for the development of digital economy for Shanxi Province, and for the formation of a Shanxi industrial characteristic system guided by informatization. As certified by the Evaluation Center, this platform was identified as national leading standard. In May 2022, our PC prefabricated underground integrated pipe gallery construction technology research (PC 裝配式地下綜合管廊建造技術研究) was awarded with the science technology achievement evaluation certificate by the Evaluation Center. The expert group of the Evaluation Center assessed that we have successfully developed a rigid splicing, flexible prefabricated pipe gallery structure and double-sided superimposed wall jointing technology, which can effectively prevent leakage, shorten the construction period and improve construction quality. After comparing similar technologies in China and abroad, the Evaluation Center identified this research technology as international leading standard.

We received wide recognition from the industry for our performance in construction's quality, and safety control. We work to improve the "four-in-one" whole industry chain model by building on the construction segment. We seek to drive the integration capability of the whole industrial chain by improving the core design and consulting ability of municipal and chemical works, the integration capability of investment and financing, the general contracting ability of construction and professional operation and maintenance ability. According to Frost & Sullivan, in terms of revenue in 2022:

- We ranked first among over 500 specialized industrial construction contracting companies in Shanxi Province.

- We ranked fifth among more than 10,000 specialized industry construction contracting companies in China.

Our core strengths are mainly reflected in specialized construction segment. We have successively undertaken a large number of projects in electromechanical, chemical, metallurgy, power, municipal, housing construction and other industries by leveraging our all-rounded construction qualifications since establishment. We have made the first step to become a quality construction service provider in China by building a higher-level four-in-one whole industrial chain layout of "design consultation, investment construction, building construction, and operation and maintenance". With the continuous expansion of our business, and based on our specialized industry technology, we further develop our industry expertise in thermal construction and gas construction, and standardized manufacturing plants, characteristic buildings and other relevant specialized auxiliary construction projects.

Ensuring quality project completion, safety production and continuous development have earned us numerous awards, including in 2022, we were awarded the ARE-QP award by the Asian Network for Quality (ANQ), and in November 2021, we won the National Quality Award from the China Association for Quality, which is one of the four major quality awards in the world. According to Frost & Sullivan, we are the first company in the national installation industry to receive this prestigious honor in 20 years since the award was established. For further details please see "Business – Awards, Honors And Recognition".

We have established our position in the industry with independent research and development technology.

Our independent research and development ability is part of our core competitiveness. We have developed corresponding key technologies in various fields. We have a research institute specializing in BIM information technology, a provincial technology center and two municipal technology centers among the 100 PRC-based construction companies who are capable of developing proprietary BIM information and technology software. We have established a research and design platform, construction technology research center and distributed energy application research center and has ability to integrate engineering design. As of June 30, 2023, four of our construction methods were accredited as national-level construction methods, which are good evidence that we have the potential to create significant economic value, including:

(i) the construction method of carbon baking furnace masonry engineering;

(ii) the construction method of 300KA pre baked anode electrolytic cell shell and metal structure fabrication and installation;

(iii) the construction method of double-sided color steel composite air duct;

(iv) the construction method of cultural stone facing of building external wall composite wall inclined wall.

We adhere to the development of research and development technologies to consolidate our position within the industry by carrying out a number of "Industry-University-Research" collaborations with China's top universities such as Tsinghua University, Zhejiang University and Taiyuan University of Technology, focusing on clean heating, the use of new energy, sponge city, prefabricated building and other fields. As a result of such joint efforts, a number of key technologies are developed, and our core competitiveness is built. And we are jointly committed to the research of certain technological topics. For example, we have collaborated with Taiyuan University of Technology to conduct the "research and development of multi-energy complementary natural gas distributed energy system", a provincial key science and technology program project, to support the low-carbon and efficient use of renewable energy.

In terms of new energy technology, our research and development achievements were well-recognized in China. For example, in 2022, only 42 projects won the 19th China China Civil Engineering Zhan Tianyou Award, and our Taigu Heat Supply Resource Project (太古供熱項目) was one of the winners of such award. The following are some of our award-winning new energy technology projects:

No.	Project	Project Location	New Energy Technology Content	Award/Recognition
1	Jingle Hongyi Energy 200MW Wind Power Project	Jingle County, Xinzhou City, Shanxi Province	Installation method of wind power project foundation pre-stressing anchor bolts	Work Safety Standardization Certificate
2	Daixian Xinhuaneng 150MW Wind Power Project	Daixian County, Xinzhou City, Shanxi Province	Construction method gravity fan foundation ring installation	Work Safety Standardization Certificate
3	Puxian Kecheng Town 50MW Wind Power Field Project	Pu County, Linfen City, Shanxi Province	Wind power project foundation ring installation construction technology	Power Construction Science Technology Progress Award
4	Yangchun Huilongtou 96MW Wind Power Project	Yangchun City, Guangdong Province	Mountain high power wind turbine installation technology	Shanxi Province Construction Technology Achievements

Regarding new infrastructure, according to Frost & Sullivan, we participated in the first commercial maglev project in China, in addition to multiple metropolitan railway and intercity rail transit projects, we also participated in the construction of the first Big Data Intelligent Management and Operation Center for Shanxi's construction enterprises, researching, developing and promoting multiple smart firefighting and smart energy projects, creating the engineering industry's first smart park in Shanxi.

Regarding new materials, we applied glass fiber reinforced polymer materials to the construction engineering sector, and used construction wastes, industrial solid wastes and other solid wastes to process and produce recycled aggregates, water stable materials, environmental-friendly permeable bricks, recycled concretes and other materials, realizing the comprehensive recycle of solid waste resources.

Regarding new equipment, we collaborated with Tsinghua University and developed production line robots for prefab slabs to fill a domestic vacuum, capable of producing the thinnest prestressed prefab slabs with a thickness of 35mm, our manufacturing process reached an advanced stage on an international level.

In addition, we actively participate in drafting and establishing technical specifications to form construction industry standards in the PRC. For example, we participated in the examination and approval of one national standard ("**Technical Specification for Prefabricated Combined Riser** (預製組合立管技術規範)") and one industrial standard ("**Code for Construction And Acceptance of Metal Welded Structure Moisture Cabinet** (金屬焊接結構濕氣櫃施工及驗收規範)"), and joined the formulation of 15 local standards and six group standards. We believe that our advanced technology and research and development strength are our competitive advantages and enable us to obtain construction projects by providing quality building construction contracting services.

We have been rooted in Shanxi Province for a long time and have established a valuable strategic cooperative relationship with the local government, accumulated rich customer resources and completed a number of construction projects in the region, including municipal infrastructure, public transportation, petrochemical and new energy, etc. For instance, we have signed a strategic cooperation agreement with the People's Government of Houma City in 2022. We believe that the unique location advantage will allow us to benefit from the national strategy of synergistic development of Shanxi Province. The strategy proposes important reform measures to promote the development of infrastructure, industrial upgrading, environmental protection, public services and market integration in the region.

Our track record in new energy projects well positions us to benefit from the industry trend.

We have built a "design consultation, investment construction, building construction, operation and maintenance" industry business model, with a track record in completing projects on eco-friendly fields such as clean heating, new energy, solid waste disposal and water environment management.

After over ten years of development, our new energy business has spread to more than 20 provinces in China and we have formed a complete new energy business model including management model, development model and investment and financing model. In addition, we formed close cooperation with agencies such as provincial or national grid companies, market survey, geological survey, power monitoring station and renewable energy centers, and are familiar with all processes such as connecting to, the authorization, circulation and grid connection of power grid systems. Therefore, we possess stronger advantages with regards to power grids. Meanwhile, we accumulated a wealth of experience in new energy projects, such as the control of cost, quality, progress and safety, having greater advantage among our peers. In addition, we undertook 46 wind power and photovoltaic power generation projects with a total installed capacity of over 3GW throughout 2022, and possessed the ability to conduct all processes of wind power and photovoltaic power projects, from identification to project approval, EIA and other policy approvals, financing, design construction and operation.

Currently, multiple departments in the Group are conducting new energy related business, for example, Shanxi Shan'an Maode Distributed Energy Technology Company Limited, our wholly owned subsidiary, is responsible for the development, investment and operation of new energy projects; the design institute with Grade B Qualification for Power Engineering Industry Design engages in related project consultation and design, the New Energy Department is responsible for construction organization and management of new energy projects; others such as New Energy First Branch Company and Large Equipment Lifting Company are responsible for actual construction and equipment lifting and transportation, etc.. We have the first-level general contracting qualification for Power Engineering Construction and the Grade B Qualification for Power Engineering Design industry. We can independently undertake projects in respect of thermal power generation below 50MW, hydroelectric power generation below 250MW, wind power generation below 100MW, and renewable energy power generation such as solar energy, geothermal, waste, straw, etc. as well as power engineering general contracting projects for power transmission and transformation projects below 220kV. In addition, through accumulation of years of new project construction experience, we have gained certain new energy technical results.

Our projects, according to Frost & Sullivan have been successful. The Taigu Heat Supply Resource Project invested, constructed and operated by us is a staple project in implementing the new development ideal of the country, implementing the national policy of lowering emissions, and promoting clean city heating, and is currently the largest single heat supply project in Asia. This project entered into operation on November 1, 2016, utilizing waste heat from power plants to replace natural gas, and have been running smoothly for six seasons. The energy conservation effect of the project is significant, achieving a high utilization of the waste heat, the energy consumption equates to only 1/3 of normal cogeneration. In addition, our China Resources Power Neihuang 400MW wind power project was successfully grid-tied in 2017, the project is the largest single land wind power field nationally, and the largest single plains wind power project in Asia in 2017. The project combined high-tower, large impeller, new low-speed wind turbines, the site spams across 110 administrative villages and has a significant energy-conservation effect, and carries an important meaning to local energy structure adjustment, promoting energy conservation and improving air environment. In addition, our Heshun Dongfang New Energy wind power project has a total construction cost of over RMB1,600.0 million, occupies 176 sq.km. of land, involves over 20 villages and 84 wind turbines (18 turbines with a unit installed capacity of 3.4MW, 36 turbines with a unit installed capacity of 2.2MW, 30 turbines with a unit installed capacity of 2.0MW), and has features such as large scale and long power lines. We received the China Power Quality Engineering award for the project.

Currently, driven by the booming development of the national new energy industry, according to Frost & Sullivan, the total market value of new energy industry projects is expected to reach approximately RMB4,501.8 billion by 2027, with a CAGR of 9.7%. Shanxi Province has also continuously reduced its reliance on coal and made greater effort to develop new energy. Those efforts promoted the total output value of new energy industry projects in Shanxi Province to increase to more than RMB86 billion, with a higher CAGR of 13.7% than that of nation. The investment amount of infrastructure construction project in Shanxi Province exceeded RMB80 billion in 2022. It is expected that the CAGR from 2023 to 2027 will reach 7.5%. At the same time, we have also achieved fruitful results in the practice of transformation and upgrading. According to Frost & Sullivan, our project delivery in the transformation and upgrading of energy comes as our competitive edge among the market participants and has proven our position in practicing green development, namely carrying out low-carbon project, and making good use of low-carbon methods. With the technology in various new energy and green projects, we are able to receive the impetus from the rising demand for green development and sustainable building development. We will continue to practice green development, carry out low-carbon projects, make good use of low-carbon methods, and choose low-carbon paths to stay on the path of green development and continue to assume the corporate responsibility of achieving the national "dual carbon" goal.

In light of the above, our experience and technical capability in various new energy and green projects enabled us to benefit from the industry trend of green development and sustainable building development. The Chinese government has listed renewable energy as focus of energy development and Shanxi Province is the first pilot province for energy revolutionary integrated reform in China and has been designated by the State Council as a pilot province for energy transformation and has been gradually transformed into a low-carbon energy province. National Energy Administration promulgated Medium- and Long-term Development Plan for Pumped Storage Energy (2021-2035) on September 17, 2021. According to Frost & Sullivan, Shanxi Province is the first to obtain approval for new projects included in the plan. With more investment in developing hydrogen, wind, pumped storage and solar energy, the market size of new energy industry construction works in Shanxi Province is expected to reach RMB178.2 billion in 2027. On the other hand, Chinese government has promulgated Green Building Label Management Measures (《綠色建築標識管理辦法》) and Green Building Initiative Implementation Program (《綠色建築創建行動實施方案》) to promote 70% of urban buildings and infrastructure to reach the green buildings standards. We are well-positioned to capture the business opportunities brought by above-mentioned Shanxi Province and China's construction industry market demand for new projects. We will take this opportunity to further expand our design advantages in the field of new energy and continue to make contributions to achieving the goal of "Carbon Emission Peak and Carbon Neutrality".

With a wide range of qualification coverage and design ability, as well as upstream and downstream resources collaboration capabilities and stable partnership with suppliers and subcontractors, we can continuously obtain quality projects.

During the 13th Five-Year Plan Period, we established a "four-in-one" engineering service system covering the whole cycle and the entire business chain centered on design consultation, investment construction, building construction, operation and maintenance. In addition, according to Frost & Sullivan, we are the first construction service provider to obtain the Premium Grade Qualifications of General Contracting for Petrochemical Engineering Construction and Municipal Public Engineering Construction, and Grade A Qualifications for Chemical, Petrochemical and Pharmaceutical Industry Design and Municipal Engineering Industry Design (雙特雙甲) in China, which is the highest qualification granted to the construction contractors in China. We had qualifications for construction contracting, covering the vast majority of construction categories. As of the Latest Practicable Date, we have the following qualifications in terms of construction contracting:

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

As China's construction contracting industry and engineering design consulting industry are strictly regulated, the relevant qualifications certifies that our experience in project management, technical strengths and the scale of operation have met the highest standards in China, which has consolidated our position in the industry and provided our customers confidence. In addition, we are one of the few construction companies in the building construction contracting industry with design institutes and construction design capabilities. We also own a chemistry, petrochemical and pharmaceutical industry Grade A Design Institute and a municipality industry Grade A Design Institute, have the Grade A Qualification for Architectural Decoration Engineering Design, Grade A Qualification for Building Intelligent System Design and Grade A Qualification for Fire Protection Engineering Design, proven mature design and building capacity. Therefore, we have frequently become the main contractor of construction works and have the full ability to provide customers with integrated project management services. According to Frost & Sullivan, such operational capability in construction projects comes as an advantage among the market participants in specialized industrial construction and specialized auxiliary construction industries in the PRC. The integrated service provision of the Group from design consultation, investment construction, building construction, operation, and maintenance, or in other words, EPC projects, that is significantly promoted by the PRC government enables consistency and quality of work delivered which offers convenience to the clients by saving the need to engage different parties for the execution of a project, thereby leveraging the synergies. According to Frost & Sullivan, a comprehensive service provision also entails cross-selling, where other potential services apart from the original service scope can be pitched to and delegated by the client in order to obtain further business prospect. For instance, we entered into a EPC wind power general contracting contract in March 2021 in Taiyuan City of Shanxi Province. Upon completion of the EPC project, we were subsequently engaged by the same customer in January 2022 to provide maintenance service to the wind farm. Less scalable market participants may only be able to tender for few of the construction procedures they are capable of, limiting their source of revenue. According to Frost & Sullivan, we are one of the 1,000 companies in the PRC with fully integrated BIM capability with regard to the entire process of modelling, feasibility research, investigation, design and construction in the specialized industrial construction and specialized auxiliary construction contracting industry. With our wide range of qualification coverage, we bid and undertake a wide range of construction projects, and focus on capturing the emerging market opportunities created by the sustainable development of housing and infrastructure construction industry, so as to enable us to diversify our business, provide customers from various industries with integrated solutions and ensure sustainable development.

Chinese government has been promoting the development of the EPC model in recent years. In 2016, the Ministry of Housing and Urban-Rural Development issued Several Opinions on Further Promoting the Development of General Contracting of Projects (《關於進一步推進工程總承包發展的若干意見》), regulating that when choosing construction projects contracting model, developers shall firstly adopt the projects general contracting model. In 2017, the Ministry of Housing and Urban-Rural Development promulgated the National Criteria for General Contracting of Projects Management Specification for Construction (《建設項目工程總承包管理規範國家標準》), standardizing EPC development criteria and accelerating the promotion of EPC projects in China. We possess in-depth integration abilities for multiple areas throughout the process. The core of the EPC general contracting method is to promote the in-depth integration of design, procurement and construction, coordinating cross-application of professions and optimizing the overall work flow arrangement by setting up a scientific and reasonable organizational structure; establish a profit sharing mechanism between design, procurement and construction to form a direct interest relationship, and establish an appropriate assessment and incentive mechanism to guide all professions to form a community of business, responsibility and destiny; respond in a timely manner and make timely amendments to achieve the effect of co-resonance and co-direction of all parties, thereby improving construction efficiency and cost control. Few engineering companies have the ability for providing comprehensive services in EPC projects. Therefore, our one-stop integrated solutions package has become our unique and strong competitive strength in the China's EPC engineering market. As the construction contractor, our construction works are carried out in EPC model. For large-scale construction projects with higher project quality requirements from the landlords, we are responsible for the coordination and management of the overall project. We have successfully shortened the project cycle, accelerated its progress and reduced the project cost through EPC model.

Our design team consists of various professional engineers of various background in architecture, structure, heating, ventilation and air condition, electricity, water supply and drainage, technology and equipment. They possess long-accumulated experience in project construction and increase our integrated strength through professional cooperation among various fields. Our Design Institute has built a system for design elements progress and quality control. Through establishing sound talents cultivation mechanism, we have formed sound talent pool who can finish project design, creating a good atmosphere for sustainable upgrade of design experience and design philosophy, so we can ensure the provision of necessary design service during construction and enhance our ability to provide whole-process project consultancy service. Meanwhile, benefiting from the Group's internal BIM Information and Technology Research Institute, we are able to provide integrated solutions, engage in construction consultancy and participate in all phases of the project consultancy including feasibility research, investigation, design and construction. In addition, we have established a research and design platform, construction technology research center and distributed energy application research center and have ability to integrate engineering design. According to Frost & Sullivan, benefiting from our internal BIM Information and Technology Research Institute, we are one of the limited number of PRC-based construction companies who are capable of developing proprietary BIM information and technology software. The design and build capability allows us to engage in the whole lifecycle of construction projects.

We have established a network of qualified contractors and suppliers in the construction contract value chain, and we have formulated supplier management system based on relevant national laws and management standards to regularly monitor and assess qualified suppliers. Also, we have long-standing relationships with major suppliers and subcontractors during the Track Record Period. Such strong relationships provide us with greater flexibility in selecting suppliers and subcontractors, and are also conducive to reducing the risk of delays or shortages of materials or subcontracting services. The rigorous supplier management system could enhance our project quality and build a premium brand. We are able to capture the development opportunities of Shanxi construction markets and expand our business to other regions of China by leveraging professional technical support, experience in construction and good relationships with our customers.

It is evident that we have efficient resource integration and coordination capabilities, strong integrated information system support capabilities and digital work collaboration capabilities. By building the integration ability and control ability of industrial chain resources and providing customers with value-added and premium services, we obtain high value-added returns and build integrated service capabilities for continuous customer satisfaction. We believe that informatization is a tool to consolidate basic management, activate integrated management, strengthen exception management, establish crisis management and optimize strategic management. Through the reengineering of management process and the use of information technology, the Company has realized scientific management and achieved the main objectives of project general contracting management.

As such, we have an integrated and constantly enriching service portfolio with broad development prospects. We have a "four-in-one" whole industry chain model of design consulting, investment construction, construction works and, operation and maintenance, and our business scope covers municipal and public, petrochemical, power, metallurgy, electromechanical installation, rail transit and other industries, while focusing on emerging fields such as new energy and green environmental protection. Our professional standard and industry experience have enabled us to successfully complete several construction projects with requisite technical requirement threshold, including Guangdong petrochemical refining and chemical integration project (廣東石化煉化一體化項目), Shanghai Metro Line 14 Project (上海軌道交通14號線), the Linfen fourth sewage treatment plant project (臨汾市第四污水處理廠項目), the Taigu Heat Supply Resource Project (太古供熱項目), Wind Power Project in Heshun County and Taiyuan Coal Trading Exhibition Center.

According to Frost & Sullivan, with the established network of qualified contractors and suppliers in the industry, as well as developed internal resources and strategic management system, we are more capable of undertaking large-scale projects with the capability to oversee a project and mitigate risks, a stable source of manpower from subcontractors, and meanwhile enjoy a higher bargaining power for sourcing from other suppliers to better fulfil the demand from customers.

With 70 years of development history, we have bred a profound enterprise spirit and unique corporate culture and characteristics. We have a track record of providing customers with quality services through strict quality control, excellence management system, high safety standards and environmental management system.

Our history can be traced back to as early as 1952 and our predecessor was one of the earliest companies in the PRC specializing in the industrial equipment installation. According to Frost & Sullivan, we were one of the top 10 earliest established companies which is still in operation in the specialized industrial construction and specialized auxillary construction contracting industry in PRC, one of the earliest construction contracting companies in Shanxi Province and among the first batch of construction contracting companies awarded with Quality Management System Certifications in the PRC. We are committed to the "spirit of the craftsmanship" and providing quality specialized industrial construction and specialized auxiliary construction, and has developed as one of the most trusted brands in the industry.

In addition, we have developed into a group with competitiveness, whole-industry and strong professional ability while we also have the characteristics of state-owned enterprises such as standardized management, integrity and reliability, and with a focus on corporate social responsibility and we are awarded as "AAA Credit Enterprise in China's Construction Enterprises (全國建築業AAA級信用企業)" among 431 enterprises, by the China Construction Industry Association in 2021. With our track record of completed project and customer service, we won over the trust of customers, which is crucial for us to improve existing loyalty of customers, expand customer base and maintain long-term growth.

We focus on refining the quality of our services. We have adopted and implemented a quality control system that meets international standards. Our quality management system has been evaluated and certified as satisfying the requirements of ISO9001 certification. We have established an occupational health and safety management system, which has been certified to satisfy the requirements of ISO45001 standard. We have also obtained GB/T 23001-2017 evaluation certificate of informatization and industrialization integration management system. In addition, we have also established an environmental management system to enhance environmental awareness and reduce environmental pollution caused by our projects, which has been certified to meet the requirements of ISO14001 standards. According to Frost & Sullivan, some industry participants amongst the top 10 specialized industrial construction and specialized auxiliary construction contractors by revenue, have not obtained the above quality qualifications and requirements such as the GB/T 23001-2017. In this regard, these industry competitors which lack certain qualification may not be able to secure business opportunities from downstream clientele. We believe that the above management system can help us provide customers with long-term and stable quality services. Therefore, most of our major customers have maintained long-term cooperation with us, we have established more than 50 long-standing cooperative relations with our existing customers for more than 5 years, including listed companies and large state-owned enterprise groups.

We will continue to amplify the advantages of quality development brands, actively integrate into national and industry development trends, strengthening business competitiveness and synergy to contribute to the development of the industry and strive to become a high quality construction service provider in China.

Our strong, professional management team shoulder our unique corporate mission of "dedicating quality works and creating bright future".

Our management team came from various professional background covering various fields and possesses rich industry and management experience and track record. In particular, our Senior Management members have obtained professional qualifications in relevant industries and have more than 20 years of management experience. For example, Mr. Wang Limin, the chairman of the board, has a master's degree in Business Administration and more than 10 years of qualification as a certified constructor/senior engineer. Mr. Ren Rui, general manager, and Mr. Niu Xiaoping, the deputy general manager, were named as the Outstanding Project Manager of Shanxi Construction Enterprises. Mr. Zhang Yan, the executive director, has a master's degree in Legal Theory from the Party School of the Central Committee of C.P.C (National Academic of Governance) and is a senior economist, Mr. Feng Cheng and Mr. Zhang Hongjie, non-executive directors, are senior registered accountant. Mr. Xu Guanshi, non-executive director, and Mr. Wang Jianjun, deputy general manager, are senior engineers. For details of the information of the management team, please refer to "Directors, Supervisors and Senior Management". At the same time, at the management level, through constructing "strategic management system" (PDCA) and "day-to-day management system" (SDCA) and "intelligence" empowerment, we formed the iPS high-quality development mode based on TQM.

We strive to develop the enterprise into a home of mutual respect, unity and cooperation among employees. We create a cohesive environment so that our employees can learn and grow together at work. In addition, we have implemented a flexible incentive mechanism to give employees sufficient room for improvement from the system. We have established a training center in Shan'an, and adopted differentiated training methods for employees of different ranks, positions, and business profession, which effectively promotes the improvement of management ability and business ability, which further constructs a talent team. As of June 30, 2023, the majority of our senior management members have worked in the group for more than 15 years on average, even half of them have served in the Group for over 20 years. During the Track Record Period, our senior management have not left the Group except for the internal transfer of the system of Shanxi Construction Investment Group. Stable management has significantly accelerated our internal decision-making speed and improved management efficiency.

OUR STRATEGIES

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

Capture the opportunities brought by the national strategy of coordinated development, so as to accelerate development of new energy business

We will continue to invest significant resources in specialized construction and new energy projects to further enhance our brand recognition, attract and retain major customers, so as to consolidate our position in relevant markets.

We have a reputable track record in the specialized construction market. In November 2017, we completed the Gujiao Xingneng Power Plant Heating Project (古交興能電廠熱源項目). Such heating project is a large central heating project in the country, which can undertake the central heating area of 76 million square meters in Taiyuan. The project uses the low-level energy grading heating technology to increase the utilization rate of the exhausted steam of the steam turbine to 92%, which greatly reduces the coal consumption for heat supply. It is expected to save 720,000 tons of coal every year, and reduce carbon dioxide emissions, sulphur dioxide emissions, nitrogen oxides emissions and carbon dust emissions by 1.6 million tons, 48,000 tons, 24,000 tons and 21,000 tons respectively. This is a project using new methodologies, practicing new technology, energy saving and emission reduction, and efficient supply, which is also a transformation project that we entered the high-end field of the construction industry and attempted to implement contract energy management for the first time. With relevant foundation, we strive to further enhance our specialized ability which is technology-oriented to promote systematic construction. We also seek to continuously enhance our influence in professional fields and create specialty specialized construction, which we believe that would enable us to win high-profile new energy construction projects. We are able to offer construction design and construction solutions to maximize energy efficiency using combinations of different types of new energy and clean energy sources. With our long-established and stable relationships with local governments, we plan to further enhance our business development in the new energy project market to actively integrate the national strategies, seize the regional development opportunities and consolidate our advantageous position. We intend to actively respond to "carbon neutrality" and have strived to develop the new energy project construction of specialized industrial construction and specialized auxiliary construction. We undertook 46 wind power and photovoltaic power generation projects throughout 2022, with a contract value (investment amount) of RMB15.0 billion and a total installed capacity of over 3GW.

Afterward, we will proactively seize development opportunities in the new energy sector. During the "14th Five-Year Plan", we target to focus on business comes from the categories of new energy, chemical industry and municipal administration and generates most of our profit and cash flow, so as to enhance our competitiveness in the field of general construction contracting. Meanwhile, we focus more on investment in new energy projects such as wind power and photovoltaic projects, contributing to optimizing the energy structure and promoting green and low-carbon development, responding quickly to the national policy of "carbon neutrality" and actively participating in the development of green energy infrastructure proposed in the "14th Five-Year Plan". We will also give full play to the Group's advantages of the four-in-one industry chain of "design consulting, investment and construction, building construction, operation and maintenance" and provide full life cycle construction services in the field of new energy from all aspects, and apply for new energy qualification in the field of design, aiming to drive the acquisition of EPC projects. In addition, we intend to pay close attention to the development of the new energy industry and seize investment opportunities in upstream and downstream projects in the new energy industry. We focus on investing in quality industrial projects, and rely on the business model of the Group's professional platform subsidiaries in the fields of clean heat supply, distributed energy, pumped storage, comprehensive water treatment, solid waste disposal and other green and environmental protection fields, and achieve sustainable or eternal benefits of investment and construction projects on a maximum basis. We plan to promote the management and development of intelligent operation and maintenance platform in the field of operation and maintenance, and realize intelligent control and visual management through intelligent operation and maintenance system to improve operational efficiency, in order to evolve into a engineering service provider that realizes the full life cycle of the project.

Approximately 50% (or HK$334.1 million) of our proceeds will be used to finance new energy projects. For further details, see "Future Plans and Use of Proceeds".

Responding to the supply-side structural reform of the construction industry, and improving our service capability in EPC general contracting projects

The State Council put forward the concept of supply-side structural reform in the construction industry in 2019, advocating the construction industry to achieve flexible utilization of its own resources in an all-round way and conducting higher-level competition, and achieve higher-quality development. In particular, state-owned construction enterprises are required to promote practice reform to lead and guide the PRC construction industry. As a contracting service provider, we strive to develop our management capability in EPC general construction projects in specialized industrial construction and extend the value chain, expand the existing industrial fields, continue to use our own advantages, resources and technical capabilities, actively develop into a specialized industrial service contractor integrating investment, design, construction, operation and management, and further enhance the added value of our products and services, and provide customers with more diversified systematic one-stop integrated solutions by virtue of our full-process engineering consulting services and qualifications in addition to traditional engineering construction, which has become the key to winning in the fierce competition in the industry. We hold regular EPC project construction management experience exchange meetings to summarize in a right way our construction experience in various aspects such as drawing optimization, land acquisition, preliminary procedures, construction process management, project settlement and excellence management, so as to form a set of replicable project management methods that can be learnt by others, and continuously improve our EPC project management capability and strengthen our EPC project refinement management capability.

On the other hand, to ride on the aforesaid favourable national policy in supply-side structural reform of the construction industry, we also intend to further expand along the value chain and set foot in upstream and downstream manufacturing industry. To achieve such strategy, approximately 10% (or HK$66.8 million), to be used for financing new energy projects of upstream and downstream manufacturing industries, in particular, to finance the equity investment in heavy-steel structure plant base and our future equity investment in other upstream and downstream manufacturing industries related to construction works. For further details, please refer to the section headed “Future Plans and Use of Proceeds”.

Keep involving in investment, financing and operation of construction projects to create revenue and profit models

Currently, the Chinese government is vigorously promoting new urbanization, national strategies such as regional coordinated development, the “Belt and Road Initiative”, and Xiongan New Area, which puts forward new requirements for construction companies on the demand side, and promotes the accelerated transformation of the business model of the construction industry. Investment diversification and the integration of investment, construction and operation will become the mainstream. For example, the PPP model has played an important role in urban development and drive the development of the construction industry accordingly. At the same time, we will also keep exploring further cooperation opportunities in investment, financing, construction and operation (or any combination of the above) of construction projects in the private sector. With professional platform companies as the carrier, we have the ability of BOT, ROT, LOT, BOO, EMC and PPP for the project management and investment and financing integration. By setting up and undertaking the financing, construction (including engineering and procurement) and operation of the project company, we can obtain the contracting service income during the project construction, and earn additional investment returns during our operation. We will continue to polish our construction capabilities and consolidate our market presence as an established construction services provider, while endeavour to extend the value chain and expand our revenue stream through investing in construction projects and operating facilities we constructed. In the future, we plan to continue optimizing our project mix and increase our overall profit margin by undertaking projects with higher profitability. In order to achieve the strategy, approximately 50% (or HK$334.1 million) of our proceeds will be used to finance new energy projects, and approximately 32% (or HK$213.9 million) of our proceeds will be used for financing our equity investment commitment under current and future PPP projects and construction projects of the Company such as clean heating, distributed energy, solid waste disposal and water environment management. Please refer to “Future Plans and Use of Proceeds” for more details.

Continuously improve the business portfolio and expand business network to further increase our market share in China

Our specialized construction business enables us to establish and maintain long-term business relations with well-known customers. We intend to undertake more eye-catching, more complex and larger projects and enhance our brand recognition. We are committed to focusing on projects in areas supported by government policies to further improve our business portfolio and profitability. We plan to achieve 40% of our business in Shanxi Province during the "14th Five-Year Plan", and forge an "industry-leading", core competitiveness-equipped and resource-integrated business battlefield focusing on the coal chemical industry, fine chemical industry, urban infrastructure construction, new energy, green environmental protection and other market areas in the province to enhance professional capabilities, project general contracting capabilities and service integration capabilities. We provide customers with quality and full-life cycle services, enabling us to maintain a good reputation, and enlarge the brand advantage in the province.

We have expanded our business to other cities and regions, including 22 provinces, four municipalities and five autonomous regions across our country, and Australia, Vietnam, Indonesia, Bangladesh and other countries. During the "14th Five-Year Plan", we plan to achieve 50% of the business outside the province, and build a key support for "domestically renown" and large-scale development. Focusing on the functional positioning of organizing regional business operations, regional resource coordination and regional performance management, we set up regional center to respond quickly to the market, form a sustainable and stable source of business, and build a business base in the regional market to enhance market competitiveness. Moreover, we have strategically expanded our business territory to focus on exploring business opportunities and managing existing projects in cities with considerable economic scale and active construction market. As such, in recent years, we have undertaken an increasing number of large construction projects.

We plan to further improve our ability to integrate resources, fully expand social resource cooperation and scientifically allocate internal and external resources on the basis of cultivating our own resources, so as to achieve the goal of mutual benefit. Additionally, we will promote the resource integration of digital assets, build a data brain, build a sharing platform, promote the upgrade of information system and the construction of a financial sharing platform, and realize the project of digitalization of management and integration of industry treasury and taxation to accumulate digital assets. At the same time, we will combine technologies such as industrial digitalization and urban digital operation to promote engineering digitalization and cultivate service capabilities such as digital engineering, intelligent upgrading and integration.

Based on our existing business network, we plan to make good use of our market presence and brand strength to enhance the expansion of the market with great economic potential, including the northwest section of the "Silk Road Economic Belt" and markets of other cities and regions along the "Belt and Road Initiative". Going forward, we strive to improve our service and product capabilities, accelerate the fulfillment of existing businesses, connect with key customers, and focus on the advantageous areas of new energy, chemical industry and power in relevant markets. During the Track Record Period, we undertook the supply and installation of wind turbines for the first wind power project in Bangladesh, according to Frost & Sullivan which is of great significance.

We intend to achieve the market growth goal through endogenous growth and acquisitions in line with our strategic planning (such as acquiring companies with quality business networks in promising cities that can improve our existing networks). As of the Latest Practicable Date, we have not determined any specific acquisition plan or target, nor have we entered into any formal agreement with any potential target.

Optimize the qualification combination and technical capabilities

We plan to upgrade and improve the current qualifications, highly focus on the market, integrate various resources, build a standard system, and increase research on engineering design and construction, intelligent installation, deepening design, new building materials and green and low-carbon technologies in professional fields, and reserve a number of special construction technologies. In addition, we plan to enhance EMPC capacity to undertake larger and more complex construction projects in the field of specialized infrastructure. We also plan to further strengthen our design ability and the integration ability of whole process consulting services, promote the application of BIM technology in the whole life cycle of the construction, and build a digital delivery platform in order to realize the accelerated integration of construction process, enhance our market competitiveness in undertaking EPC projects and provide customers with more comprehensive solutions. We focus on transformation and upgrading our development, promote thoroughly the five constructions of “standardization design, factory prefabrication, assembly and construction, digital management, intelligent operation and maintenance”, to promote the core competitiveness of the whole industrial chain. We also plan to strengthen our ability of research and development, invent more patent technology and improve our unique construction technology capacity by continuously cooperating with various colleges and universities and expanding our research and development center. We are committed to the technology research and development and application, and plan to intensify our efforts in cultivating our own core technologies in multiple fields and specialties, strengthen the transformation of scientific and technological achievements, and improve the contribution rate of technological benefits.

INTRODUCTION

We are a construction service provider based in Taiyuan, a city in Shanxi Province, China. We engage in a wide range of construction contracting businesses, including specialized industrial construction, specialized auxiliary construction, other construction and non-construction business. According to Frost & Sullivan, in terms of revenue in 2022, we were:

- the largest specialized industrial construction contractor in Shanxi Province,
- the second largest new energy works contractor in China; and

Our predecessor commenced construction contracting business in the installation industry in 1952. Over the years, we built a remarkable reputation in the field of specialized industrial construction, with our representative projects as follows:

- 200,000 tons per year Supercritical Oil Slurry Comprehensive Utilization Project of H.F Needle Coke Co., Ltd.
- Heshun 200,000 kW Wind Power Project
- Installation Project for Refining and Chemical Integrated 800,000 tons per year Styrene Plant of Guangdong Petrochemical
- Caprolactam Expansion Project of Cangzhou Xuyang Chemical Co., Ltd.
- Comprehensive Recycling Project of 1,500,000 tons (800,000 tons after optimization) of Copper Concentrate per year by Houma North Copper Co., Ltd.
- PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County
- Bid #7 of the Shanghai Metro Line 14 Project (上海軌道交通14號線) with construction of decoration installation for Jing'an Temple station and ventilation, water, and electricity installation and decoration construction for adjacent areas

We also completed several representative projects in the field of specialized auxiliary construction, as follows:

- Gujiao Xingneng Power Plant to Taiyuan Heat Supply Main Line and Relay Energy Station Engineering
- General Contracting Project of Design, Procurement and Construction of Domestic Waste Incineration Power Generation and Auxiliary Projects in the Demonstration Base of Circular Economy and Environmental Sanitation Industry in Taiyuan City
- Equipment Manufacturing and New Material High-end Plant Construction Project in Yangqu Industrial Park–EPC General Contracting of Equipment Manufacturing A2 Project Standardized Plant Construction Project
- PPP Project of Extension Project of Wangchuan Street, Qishan South Road and Huangwei East Street in Lingchuan County

Our specialized industrial construction and specialized auxiliary construction are complemented by our other construction and other non-construction business.

Shanxi Province is home to over 34 million people and contributing over 2.0% of China's GDP in 2022. Shanxi Province has a vibrant and open economy, and is one of the key engines of China's economic growth. Rooted in Shanxi Province for 70 years, we are well-positioned to benefit from the coordinated development of the Shanxi Province, a national strategy of China.

BUSINESS MODEL

Overview

We principally engage in the following businesses:

Specialized Industrial Construction	Specialized Auxiliary Construction	Other Construction	Non-Construction
– Power engineering – Petrochemical engineering – Metallurgical engineering – Water conservancy and hydropower engineering – Urban rail transit engineering	– Standardized workshop engineering – Urban heating engineering – Water Supply engineering – Drainage engineering – Gas engineering – Others	– Residential buildings – Office buildings – Commercial buildings – SECH buildings	– Sales of LNG – Provision of urban heating technical services – Operations of PPP projects – Trading – Others

During the Track Record Period, we generated the majority of our revenue from projects with project owners located in Shanxi Province which accounted for approximately 62.7%, 55.6%, 57.8% and 52.6% of our total revenue for each of the three years ended December 31, 2022 and the six months ended June 30, 2023. We have business operation in all provincial-level administrative regions in China's mainland, covering all prefecture-level cities of Shanxi Province. In recent years, we have kept abreast of economic developments and focused on the construction hot spots of the industry. Through our presence in Beijing, East China (Shanghai), South China (Guangzhou), Central China (Wuhan), Southwest China (Chengdu), Northwest China (Xi'an) and Northeast China (Xiong'an), we have established a market strategy system of "one headquarters and seven branches", under which we will further develop business in Shanxi while maintaining the same nationwide.

The following table sets forth the revenue breakdown of each of our Group's principal business during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of revenue (%)*	*RMB'000*	*% of revenue (%)*	*RMB'000*	*% of revenue (%)*	*RMB'000*	*% of revenue (%)*	*RMB'000*	*% of revenue (%)*
Specialized industrial construction	5,421,639	53.4	6,964,903	52.5	7,591,132	59.1	3,187,051	55.4	2,932,571	55.9
Specialized auxiliary construction	2,639,530	26.0	3,118,317	23.5	2,091,063	16.3	1,111,367	19.3	921,500	17.6
Other construction	1,360,536	13.4	2,087,334	15.7	1,896,597	14.8	908,957	15.8	765,526	14.6
Non-construction	726,915	7.2	1,107,815	8.3	1,266,030	9.8	540,558	9.5	628,436	11.9
Total:	10,148,620	100	13,278,369	100	12,844,822	100	5,747,933	100	5,248,033	100

We principally engage in Specialized Industrial Construction, Specialized Auxiliary Construction, Other Construction and Non-Construction Business.

We undertake projects in the capacity of both main contractor and subcontractor and is regarded as a midstream contractor. The following table sets forth the breakdown of our revenue respectively generated from projects we had undertaken as main contractor and subcontractor under EPC/PPP projects:

By project types:	For the year ended December 31, 2020	2021	2022	For the six months ended June 30, 2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
EPC projects					
• as main contractor	8,392,666	11,284,523	10,440,058	4,711,557	3,972,504
• as subcontractor	163,520	382,651	905,454	432,046	455,644
Sub-total:	8,556,186	11,667,174	11,345,512	5,143,603	4,428,148
PPP projects					
• as main contractor	865,519	503,380	233,280	63,772	191,449
• as subcontractor	–	–	–	–	–
• as operator (including PPP operating fee income and interest income)	148,205	218,481	237,154	117,455	131,472
Sub-total:	1,013,724	721,861	470,434	181,227	322,921
Non-construction income (excluding PPP operating fee income and interest income)	578,710	889,334	1,028,876	423,103	496,964
Total:	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033

Our revenue from EPC projects in which were engaged as subcontractors increased in 2022 when compared to 2021 primarily because (i) four of such projects, including Hebei Tangying Metal Company Limited's Raw Material Plant Construction Project and Beijing Zhongguancun Commercial Plaza Electrical Construction Project achieved significant progress of construction in 2022, which lead to us recognizing a larger amount of revenue for the relevant projects, and (ii) we commenced construction of three new projects, including the

Smart High-end Industrial Park Infrastructure Construction Project for China Second Metallurgy Group Corporation Ltd., which in turn also contributed to the increase in revenue from EPC projects in 2022 which we were engaged as subcontractors.

The following table sets forth the major differences between Specialized Industrial Construction and Specialized Auxiliary Construction:

	Specialized Industrial Construction	**Specialized Auxiliary Construction**
Customer type	Mainly industrial production enterprises	Mainly government authorities
Project area	Mainly located in industrial parks and plant areas	Mainly located in urban areas
Project purpose	Meeting the production needs of enterprises	Mainly for municipal projects, providing infrastructure for urban life
Project mode	EPC, PPP and other general contracting and professional subcontracting	EPC, PPP and other general contracting, professional subcontracting

According to Frost & Sullivan, specialized industrial construction and specialized auxiliary construction are widely accepted industrial in the industry. These projects often require specialized knowledge, materials, and techniques to ensure that the finished product meets the unique needs and requirements of the industry it serves. In particular, specialized industrial construction and specialized auxiliary construction projects are complex undertakings that require specialized knowledge, materials, and techniques to ensure a successful outcome. These projects serve a wide range of industries and often have significant economic, environmental, and safety implications. Specialized license and qualifications are required for the undertaking of these construction projects. For example, the contractors are required to be qualified as the main contractor in Petrochemical works (石油化工工程施工總承包) for the undertaking of petrochemical works in specialised industrial construction and are required to be qualified as the main contractor in public utility works (市政公用工程施工總承包特級) for the undertaking of specialized auxiliary construction works. Each of the specialized licenses requires applications to respective regulatory bodies, and the applicable prerequisites differ from license to license. The common types of assessment indicators for specialized licenses include whether the registered share capital of the applicants meet minimum threshold set by the relevant regulatory body, the number of licensed staff, in particular engineers, of the applicant to carry out particular type of construction and/or engineering works, whether the applicants have sufficient supporting staff to carry out construction works such as construction site safety manager, quality control personnel and etc., as well as track record of the applicants in carrying out relevant type of construction works.

According to Frost & Sullivan, we are the first construction service provider to obtain the Premium Grade Qualifications of General Contracting for Petrochemical Engineering Construction, which there were only two construction companies in Shanxi Province which had obtained such qualification, and Premium Grade Municipal Public Engineering Construction, which there were only six construction companies in Shanxi Province obtained such qualification. We are one of the 72 construction companies in the PRC which has obtained two Premium Grade qualifications and is recognized as top ten provincial backbone enterprises (省內十強骨幹企業) selected by the Housing and Urban-Rural Development Administration of Shanxi Province.

Further details of each of our business segments are set out below:

Specialized Industrial Construction

Specialized industrial construction refers to constructions of infrastructure/projects for power engineering, petrochemical engineering, mechanical and electrical installation engineering, metallurgical engineering, water conservancy and hydropower engineering, urban rail transit engineering and mining engineering which require a high level of technical skills in planning, construction and design. The target customers of specialized industrial construction are mainly industrial production enterprises which comprises both government authorities and private enterprises. For projects under the specialized industrial construction segment, we are usually required to construct facilities to accommodate production needs of customers of private sector. Construction projects of the specialized industrial construction segment usually requires higher standard for project technical indicators, safety performance, professional ability, etc. and the construction sites are usually located in industrial parks. We are able to provide customers with general contracting services (including design, procurement and construction) and other professional subcontracting services. We provide services such as investment, construction, design consulting, operation and maintenance for these specialized industrial construction projects. Our specialized industrial construction business mainly includes:

Power engineering

Power engineering refers to engineering construction related to the generation, transmission and distribution of electricity, which is mainly for the purpose of meeting the demands of infrastructure construction services in various basic links such as generation, transmission, transformation, distribution and delivery of electricity, covering engineering design, equipment and materials procurement, engineering construction and installation and commissioning. In particular, it includes thermal power generation, wind power generation, photovoltaic power generation, geothermal power generation, hydrogen power generation, power transmission and transformation. As to power engineering projects, we have obtained the First Grade Qualification of General Contracting for Power Engineering Construction, the Grade B Design Qualification for Power Industry and the Second-Grade Qualification for Electric Power Installation (Repair and Debugging).

Petrochemical engineering

Petrochemical engineering refers to construction of building structures on the oil and gas field, and building facilities used for oil and gas storage and transportation (for example pipeline, storage tanks, etc.), which are usually utilised by the petrochemical industry, chemical industry, and coal chemical industry. As to petrochemical engineering projects, we have obtained the Premium Grade Qualification of General Contracting for Petrochemical Engineering Construction and the Grade A Qualification for Chemical, Petrochemical and Pharmaceutical Industry Design.

Mechanical and electrical installation engineering

Mechanical and electrical installation engineering refers to other mechanical and electrical installation works that are not included in port and waterway, water conservancy and hydropower, electric power, mining, metallurgy, petrochemical, communication, machinery, electronics, light industry, textile, aerospace, aviation, ship and ordnance and other industry, under which typical examples of construction works under this category include ventilation, air conditioning, strong current, weak current, water supply and drainage, lighting. As to mechanical and electrical installation engineering projects, we have obtained the First Grade Qualification of General Contracting for Electromechanical Engineering Construction.

Metallurgical engineering

Metallurgical engineering refers to the main work, supporting engineering and production ancillary works of metallurgy (that is the process of ore smelting, extracting of copper, aluminum, iron, nickel and manufacturing of corresponding metal or alloy products, including glass, coking, cement, non-ferrous metal, ferrous metal smelting, carbon, electrolytic aluminum, electrolytic copper, etc.), nonferrous metals and building materials industry. As to metallurgical engineering projects, we have obtained the First Grade Qualification of General Contracting for Metallurgical Engineering Construction.

Water Conservancy and Hydropower Engineering

Water conservancy and hydropower engineering refers to all kinds of projects (including auxiliary and affiliated works), such as water conservancy, hydropower, pumped storage and other constructions, for the purpose of flood control, irrigation, power generation, water supply, waterlogging control and water environment management, etc. For water conservancy and hydropower engineering projects, we had obtained the Second-class Qualification of General Contracting for Water Conservancy and Hydropower Engineering Construction.

Urban Rail Transit Engineering

Urban rail transit engineering refers to the construction of a vehicle transport system that adopts track structure for load bearing and guidance. According to the requirements of general urban transportation plan, it is a public transportation set up closed special track lines wholly or partially for the transport of a large number of passengers in the form of rail passenger trains, which includes subway system, light rail system, monorail system, tram, maglev system, automatic guide rail system and municipal rapid rail system.

Mining Engineering

Mining engineering refers mine turnkey project (underground operation), strip mine project, washing (processing) project, construction of tailings, underground electromechanical equipment installation engineering and other ground production systems and mining auxiliary construction projects, including coal mines, iron ore, aluminum ore, copper ore, etc.. Other ground production system refers to civil works of transfer point, raw material bin (product bin), loading bin (station) and interconnected belt conveyor trestle and the installation engineering of corresponding equipment. Mining supporting engineering refers to the special railway engineering, road engineering, power transmission and transformation engineering, communication engineering, environmental protection engineering, landscape engineering and other engineering in mining area. For mining engineering projects, we had obtained the Second-class Qualification of General Contracting for Mining Engineering Construction.

The below table sets out details of the major projects, selected primarily based on the top ten projects by revenue recognized during each year of the Track Record Period, among the specialized industrial construction projects (excluding overseas projects) we have undertaken during the Track Record Period:

For the year ended December 31, 2020:

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) For the year ended December 31, 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
1.	Project SIC-2	Customer B	Xinzhou, Shanxi	Power engineering	EPC project	Main contractor	Construction of wind turbines and their supporting box transformer installation, 220KV booster station, factory roads, power collection lines and other facilities for a wind power project	May 2019	Dec 2023	55	855,994	176,071	30,355	37,213	1,553,114	99.2%	–	1,532,110	12,525	–	–
2.	Project SIC-1	Dai County Xinhuaneng Energy Development Co., Ltd.* (代縣新華能能源開發有限公司)	Xinzhou, Shanxi	Power engineering	EPC project	Main contractor	Construction of wind turbines and their supporting box transformer installation, 220KV booster station, factory roads, power collection lines and other facilities for a wind power project	Aug 2019	Dec 2023	52	659,004	83,996	22,335	(1,830)*	1,189,014*	97.8%	–	1,165,374	26,133	–	–

* The revenue recognized decreased as a result of completion audit.

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2): For the year ended December 31, 2020	2021	2022	For the six months ended June 30, 2023	Total revenue	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date	Original contract value without tax	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) (Note 2): 2023	2024	2025
3.	Project SIC-11	Jingle County Xinfeng Energy Development Co., Ltd. (靜樂縣新風能源發展有限公司)	Xinzhou, Shanxi	Power engineering	EPC project	Main contractor	New construction of 220kV booster station and wind farm project of a total capacity of 99.55MW	Jul 2019	Dec 2023	53	572,235	140,966	53,421	(413)*	809,530*	97.6%	–	767,081	20,160	–	–
4.	Project SIC-12	Yangchun Xiangdian New Energy Co., Ltd.* (陽春市相電新能源有限公司)	Yangjiang, Guangdong	Power engineering	EPC project	Main contractor	Installation of 34 wind turbines, of which 11 are 3.2MW and 23 are 2.65MW; construction of a new 110kV booster station, 35KV collector line and on-site maintenance road	Oct 2019	Jun 2024	56	501,823	203,735	37,019	2,658	746,970	98.3%	–	707,452	6,000	6,532	–
5.	Project SIC-14	Private enterprise	Linfen, Shanxi	Power engineering	EPC project	Main contractor	Construction of 110kV booster station, wind farm, access road and off-site transportation road	Aug 2019	Oct 2022	38	336,510	51,966	26,489	–	423,638	100%	–	383,016	–	–	–
6.	PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County	Government authority of Xinjiang County	Yuncheng, Shanxi	Water conservancy and hydropower engineering	PPP project	Main contractor	Water conservancy project involving the renovation, clearing and dredging of river channels, completion of embankment reinforcement, construction of asphalt pavement on top of embankments; new two-way water retaining hydraulic dams, left and right bank concrete drainage tanks, rainwater pumping stations	Apr 2019	Sep 2023	240	161,943	104,118	22,360	1,883	372,628	100.0%	19,162	433,517	13,645	–	–

* The revenue recognized decreased as a result of completion audit.

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) For the year ended December 31, 2020	2021	2022	For the six months ended June 30, 2023	Total revenue	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date	Original contract value without tax	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
7.	Project SIC-16	State-owned enterprise	Hangzhou, Zhejiang	Electro mechanical' Installation Engineering	EPC project	Main contractor	Electromechanical installation and decoration works in the Metro station in Hangzhou (including ventilation and air conditioning systems, water supply and drainage and fire protection systems, low-voltage power distribution lighting systems, steel structures, etc.); power distribution of public facilities like elevators, escalators, customer service centers, telephones, ATM machines, vending machines, and commercial facilities in the station; power distribution of communication, signal, comprehensive monitoring, platform doors, AFC and other system equipment in the equipment room area of the station, etc.	Oct 2019	Dec 2021	26	151,085	64,455	–	–	226,312	100.0%	–	221,093	–	–	–
8.	Project SIC-15	State-owned enterprise	Shijiazhuang, Hebei	Power engineering	EPC project	Main contractor	General contracting construction and installation project (including construction and foundation treatment of four links and one leveling (四通一平), the office and canteen of the owner and supervisor) for a domestic waste incineration power plant	Mar 2020	Sep 2022	30	130,888	125,763	7,993	–	264,644	100.0%	–	264,644	–	–	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) For the year ended December 31, 2020	2021	2022	For the six months ended June 30, 2023	Total revenue	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date	Original contract value without tax	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) (Note 2) 2023	2024	2025
9.	Project SIC-6	Private enterprise	Qujing, Yunnan	Power engineering	EPC project	Main contractor	A wind farm construction project of 110kV booster station and connection of outgoing lines, road works for fans, box transformers, collector lines and off-site transportation roads	Dec 2017	Dec 2020	36	78,668	–	–	–	338,088	100.0%	–	338,088	–	–	–
10.	Project SIC-18	State-owned enterprise	Anhui, Hefei	Urban rail transit engineering	EPC project	Main contractor	Installation and decoration works of ventilation and air conditioning systems, water supply and drainage and fire protection systems, power distribution and lighting systems in stations; construction of aisles in the station equipment area, integrated support and hanger systems on both sides of the screen doors in the public area of the platform level and etc. for rail transit lines in Hefei City	May 2019	May 2022	36	72,806	110,159	25,521	–	225,114	100.0%	–	215,485	–	–	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

For the year ended December 31, 2021:

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value amount without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
1.	Project SIC-19	Jishan County Guochang New Energy Co., Ltd.* (稷山縣國昶新能源有限公司)	Yuncheng, Shanxi	Power engineering	EPC project	Main contractor	Construction of 110kV booster station, wind farm, access road and off-site transportation road for a wind power plant	Aug 2021	Oct 2024	38	–	489,634	26,255	25,933	541,821	97.6%	–	534,174	3,323	10,000	–
2.	Project SIC-20	Customer L	Shijiazhuang, Hebei	Power engineering	EPC project	Main contractor	Construction of photovoltaic power area and 35kV collector line project	Jul 2021	Dec 2024	41	–	320,452	47,397	7,749	375,598	97.7%	–	388,073	6,622	2,251	–
3.	Project SIC-21	Private enterprise	Huludao, Liaoning	Power engineering	EPC project	Main contractor	Handling land and forestry procedures, real estate ownership certificates, engineering survey, design and construction, technical services and training, commissioning, trial operation, grid-connected power generation, maintenance, services, etc. for a photovoltaic power generation project	Sep 2021	Dec 2024	39	–	252,650	4,857	32,351	289,857	96.3%	–	300,872	3,015	8,000	–
4.	Project SIC-12	Yangchun Xiangdian New Energy Co., Ltd.* (陽春市相電新能源有限公司)	Yangjiang, Guangdong	Power engineering	EPC project	Main contractor	Installation of 34 wind turbines, of which 11 are 3.2MW and 23 are 2.65MW; construction of a new 110kV booster station, 35KV collector line and on-site maintenance road for a wind power plant	Oct 2019	Jun 2024	56	501,823	203,735	37,019	2,658	746,970	98.3%	–	707,452	6,000	6,532	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value amount without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
5.	Project SIC-24	State-owned enterprise	Lvliang, Shanxi	Power engineering	EPC project	Main contractor	Construction and design of photovoltaic area, 35KV collector line, 220KV transmission line, 220KV booster station for the power plant	Sep 2021	Jul 2024	34	–	193,055	–	–^	193,055	97.0%	4,250	199,115	750	1,060	–
6.	Project SIC-22	Private enterprise	Ninghe, Tianjin	Power engineering	EPC project	Main contractor	Installation of 10 wind turbines, 10 box-type transformers, 2 circuits of 10kV collector lines, and a 35kV booster station for a wind power plant	May 2021	Dec 2023	31	–	178,742	63,953	11	242,706	99.0%	–	298,693	2,402	–	–
7.	Project SIC-2	Customer B	Xinzhou, Shanxi	Power engineering	EPC project	Main contractor	Construction of wind turbines and their supporting box transformer installation, 220KV booster station, factory roads, power collection lines and other facilities for a wind power plant	May 2019	Dec 2023	55	855,994	176,071	30,335	37,213	1,553,114	99.2%	–	1,532,110	12,525	–	–

^ No revenue was recognized during the six months ended June 30, 2023 as the project was pending for completion audit, the remaining revenue is expected to be recognized after completion audit.

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value amount without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
8.	Project SIC-25	Private enterprise	Linfen, Shanxi	Power engineering	EPC project	Main contractor	General contracting, including the survey, design, procurement, transportation and management, construction, installation, commissioning and testing of wind farms, switch stations, outgoing lines and opposite side intervals at all stages; trial operation and grid-connected operation of the power generation system	Aug 2021	Dec 2022	16	–	171,073	39,477	–	210,550	100.0%	–	210,550	–	–	–
9.	Project SIC-26	Customer K	Yuncheng, Shanxi	Power engineering	EPC project	Main contractor	Construction and installation of 11 wind turbines, box-type substations and auxiliary equipment; 110kV booster station, 16 kilometers of 35kV current collection lines and wind farm roads for a wind power plant	Aug 2021	Oct 2024	38	–	164,739	2,490	50	167,279	99.2%	55	166,971	945	386	–

Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2)				Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value amount without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2)		
										2020	2021	2022	For the six months ended June 30, 2023					2023	2024	2025
10. Project SIC-23	State-owned enterprise	Hangzhou, Zhejiang	Urban rail transit engineering	EPC project	Main contractor	Electromechanical installation and decoration works in the metro station in Hangzhou (including ventilation and air conditioning systems, water supply and drainage and fire protection systems, low-voltage power distribution lighting systems, steel structures, etc.); power distribution of public facilities like elevators, escalators, customer service centers, telephones, ATM machines, vending machines, and commercial facilities in the station; power distribution of communication, signal, comprehensive monitoring, platform doors, AFC and other system equipment in the equipment room area of the station, etc.	Apr 2021	Oct 2023	30	–	162,159	52,738	1,990	216,887	100%	–	214,897	–	–	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

For the year ended December 31, 2022

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2)				Total revenue (RMB'000)(Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2)		
											2020	2021	2022	For the six months ended June 30, 2023					2023	2024	2025
1.	Project SIC-27	State-owned enterprise	Xinzhou, Shanxi	Power engineering	EPC project	Main contractor	General contracting of the whole process of construction and installation engineering, including the survey and design, equipment and material procurement, construction, inspection, commissioning, trial operation, completion acceptance, and service of coal power generation projects	Apr 2022	Dec 2024	32	–	–	1,166,085	141,811	1,307,896	89.7%	66,818	1,458,775	74,652	50,879	–
2.	Project SIC-37	Private enterprise	Taiyuan, Shanxi	Power engineering	EPC project	Main contractor	Construction of a wind power plant	Oct 2022	Dec 2024	26	–	–	907,950	75,297	983,247	84.8%	153,955	1,159,962	84,467	6,715	–
3.	Project SIC-28	Customer N	Linfen, Shanxi	Power engineering	EPC project	Main contractor	Construction of photovoltaic power area and 35kV collector line project	Jan 2022	Jan 2024	24	–	–	378,480	17,176	395,656	90.4%	–	437,443	40,000	1,787	–
4.	Project SIC-32	Customer O	Yuncheng, Shanxi	Power engineering	EPC project	Main contractor	Design and construction of a photovoltaic power area and booster station	Apr 2022	Apr 2024	24	–	–	239,445	151,553	390,998	88.3%	13,562	442,569	36,438	1,571	–
5.	Project SIC-38	Private enterprise	Taiyuan, Shanxi	Power engineering	EPC project	Main contractor	Construction of a 220kV booster station of a wind power plant	Oct 2022	Oct 2024	24	–	–	219,153	190,866	410,019	68.1%	18,261	261,682	100,000	92,411	–
6.	Project SIC-36	Private enterprise	Shizuishan, Ningxia	Petrochemical engineering	EPC project	Main contractor	Civil construction and installation of the seventh phase section of a high-purity polysilicon production plant	Feb 2022	May 2024	27	–	–	214,421	185,748	400,169	87.2%	19,382	458,716	30,618	8,584	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
7.	Project SIC-34	State-owned enterprise	Tangshan, Hebei	Power engineering	EPC project	Main contractor	Civil construction and installation, commissioning and acceptance of a rooftop distributed photovoltaic power generation project	Dec 2021	Dec 2023	24	–	13,602	157,927	19,675	191,204	91.2%	4,885	216,436	16,798	–	–
8.	Project SIC-39	Private enterprise	Dongying, Shandong	Power engineering	EPC project	Main contractor	Handling project-related procedures, surveying, designing, construction, commissioning, grid-connected power generation, testing etc. for a distributed photovoltaic project	Aug 2022	Aug 2025	36	–	–	144,177	–*	144,177	19.7%	–	733,624	9,455	300,000	280,000
9.	Project SIC-30	State-owned enterprise	Jieyang, Guangdong	Petrochemical engineering	EPC project	Main contractor	Construction of a dehydrogenation reaction zone, ethylbenzene rectification zone, compressor zone, styrene rectification zone and building zone steel structure, equipment, pipeline, electrical, instrument installation and commissioning engineering of a petrochemical styrene plant	Aug 2021	Dec 2024	40	–	93,154	135,017	6,891	235,062	99.7%	–	229,359	500	207	–

* The project was suspended temporarily and pending for the project owner's financial arrangements.

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000) (Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) (Note 2) 2023	2024	2025
10.	Project SIC-29	Private enterprise	Cangzhou, Hebei	Petrochemical engineering	EPC project	Main contractor	Raw water and sewage treatment; construction of freezing station, calciner system, chemical warehouse, loading and unloading station, integrated pipe gallery, liquid ammonia tank farm, rainwater station, pool and integrated pump room, etc. of a petrochemical production plant	Aug 2019	Jun 2024	58	24,185	116,596	134,332	7,293	282,406	97.5%	–	289,642	6,000	1,248	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

For the six months ended June 30, 2023:

	Project	Identity of customers	Location	Type of project	EPC/PPP	Our Capacity undertaking the project	Scope of work	Commencement Date	Expected/ actual completion date (Note 1)	Contract Term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total Revenue (RMB'000)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)	Original Contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years thereafter (RMB'000) 2023	2024	2025
1	Project SIC-40	Private Enterprise	Lianjiang, Guangdong	Power Engineering	EPC project	Main contractor	The energy storage construction required for connecting to the national the power grid, as well as the construction, debugging (including network debugging and network testing), trial operation, etc. of the power grid construction project, the handling of procedures and technical consulting services for the power grid construction, and the necessary work for project acceptance, production, and handover upon completion	Jan 2023	Dec 2024	23	–	–	–	283,981	283,981	80.6%	–	352,296	40,000	28,315	–
2	Project SIC-38	Private Enterprise	Taiyuan, Shanxi	Power Engineering	EPC project	Main contractor	Construction of a 220kV booster station of a wind power plant	Oct 2022	Oct 2024	24	–	–	219,153	190,866	410,019	68.1%	18,261	261,682	100,000	92,411	–
3	Project SIC-36	Private Enterprise	Shizuishan, Ningxia	Petrochemical engineering	EPC project	Main contractor	Civil construction and installation of the seveth phase section of a high-purity polysilicon production plant	Feb 2022	May 2024	27	–	–	214,421	185,748	400,169	87.2%	19,382	458,716	30,618	8,584	–
4	Project SIC-41	Private Enterprise	Jincheng, Shanxi	Petrochemical engineering	EPC project	Main contractor	Constrcution of a 600,000 Nm^3 coal bed methane liquefaction plant	Jul 2022	Dec 2023	17	–	–	4,567	177,904	182,471	92.3%	1,195	197,613	15,142	–	–
5	Project SIC-32	Customer O	Yuncheng, Shanxi	Power Engineering	EPC project	Main contractor	Design and construction of a photovoltaic power area and booster station	Apr 2022	Apr 2024	24	–	–	239,445	151,553	390,998	88.3%	13,562	442,569	36,438	1,571	–

	Project	Identity of customers	Location	Type of project	EPC/PPP	Our Capacity undertaking the project	Scope of work	Commencement Date	Expected/ actual completion date(Note 1)	Contract Term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2)				Total Revenue (RMB'000)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)	Original Contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years thereafter (RMB'000)		
											2020	2021	2022	For the six months ended June 30, 2023					2023	2024	2025
6	Project SIC-27	State-owned enterprise	Xinzhou, Shanxi	Power Engineering	EPC project	Main contractor	General contracting of the whole process of construction and installation engineering, including the survey and design, equipment and material procurement, construction, inspection, commissioning, trial operation, completion acceptance, and service of coal power generation projects	Apr 2022	Dec 2024	32	–	–	1,166,085	141,811	1,307,896	89.7%	66,818	1,458,775	74,652	50,879	–
7	Project SIC-42	State-owned enterprise	Dangyang, Hubei	Petrochemical engineering	EPC project	Main contractor	The transformation, construction and installation of a heat recovery, low temperature methanol washing and liquid nitrogen washing plant with an annual production capacity of 550,000 tons of amino alcohol	Mar 2023	Jan 2024	10	–	–	–	98,576	98,576	72.8%	28,288	135,418	22,178	1,842	–
8	Project SIC-43	Private Enterprise	Lvliang, Shanxi	Petrochemical engineering	EPC project	Main contractor	Construction and installation works of a natural gas liquefaction plant for helium extraction and hydrogen production	Mar 2022	Dec 2023	21	–	–	30,786	84,254	115,040	96.5%	24,700	119,266	4,226	–	–
9	Project SIC-37	Private Enterprise	Taiyuan, Shanxi	Power Engineering	EPC project	Main contractor	Construction of a wind power plant	Oct 2022	Dec 2024	26	–	–	907,950	75,297	983,247	84.8%	153,955	1,159,962	84,467	6,715	–
10	Project SIC-44	State-owned enterprise	Yuanqu, Shanxi	Power Engineering	EPC project	Main contractor	Construction of a photovoltaic power plant	May 2022	Dec 2023	19	–	–	112,986	64,785	177,771	95.3%	3,282	186,565	8,794	–	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within thecontract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

Specialized Auxiliary Construction

Specialized auxiliary construction refers to constructions that involve the ancillary facilities encompassing major municipal construction works or infrastructure. The major customers of specialized auxiliary construction are mainly state-owned and state-holding enterprises and/or government authorities (excluding listed companies). Projects under the specialized auxiliary construction segment are mainly projects related to urban infrastructure construction, with the main purpose of providing supporting infrastructure for urban living. We provide investment, design consulting, construction, operation and maintenance services for those specialized auxiliary construction projects. Our specialized auxiliary construction projects mainly include:

- Standardized workshop engineering, which refers to construction and engineering of workshops or complexes that are involved in industrial process, such as warehouse, logistics and workshops that support the manufacturing of products.

- Urban heating engineering, which refers to construction and maintenance works of heat source, pipelines and their ancillary facilities (including reserve stations).

- Water supply engineering, which refers to the waterworks construction and urban water supply pipeline works related to urban water supply, including the design and construction of waterworks, water supply pipes, pumping stations, filters and sedimentation tanks, etc..

- Drainage engineering, which refers to sewage treatment works, municipal sewage and stormwater network works related to urban drainage.

- Gas engineering, which refers to the pipe network projects related to natural gas used in daily life and industrial production.

- Communication engineering, which refers to all kinds of communication and information network engineering for the use in daily life and office

- Illumination engineering, which refers to various urban and road lighting projects.

- Environment protection engineering, including waste heat utilization, wastewater treatment, waste residue treatment and waste gas treatment.

- Road and bridge engineering, which refers to the survey, design and construction of highways and bridges.

- Low carbon environmental protection project, which refers to projects intending to reduce carbon emissions.

- Agricultural engineering, which refers to farmland water conservancy projects.

  For specialized auxiliary construction projects, we have obtained the following material qualifications:

  - the Premium Grade Qualification of General Contracting for Municipal Public Engineering Construction

  - the Grade A Qualification for Fire Protection Engineering Design

  - the Grade A Qualification for Municipal Engineering Industry Design

The below table sets out details of the major projects, selected primarily based on the top ten projects by revenue recognized during each year of the Track Record Period, among the specialized auxiliary construction projects (excluding overseas projects) we have undertaken during the Track Record Period:

For the year ended December 31, 2020:

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000) (Note 2)	Completion percentage % (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) (Note 2) 2023	2024	2025
1.	PPP Project of Underground Comprehensive Pipe Gallery Project in Xiyang Economic and Technological Development Zone, Xiyang County, Jingzhong City	Government authority of the Xiyang County	Jinzhong, Shanxi	Drainage engineering	PPP project	Main contractor	Construction of an underground comprehensive pipe gallery comprising main line pipe gallery, river crossing pipe gallery, material and equipment procurement	Jun 2019	Dec 2020	240	233,680	105,304	22,932	21,420	645,874	100%	13,274	514,110	–	–	–
2.	PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Liulin County	Government authority of Liulin County	Lvliang, Shanxi	Urban heating engineering	PPP project	Main contractor	Construction of main pipe, branch pipe network, 27 heat exchange stations and auxiliary stations for a central heating project	Mar 2019	Mar 2021	360	166,129	128,024	108,971	62,135	727,156	100%	10,980	324,037	–	–	–
3.	Project SAC-16	State-owned enterprise	Yinchuan, Ningxia	Urban heating engineering	EPC project	Main contractor	Construction of urban heating network of approximately 25 kilometers, including pipe trench excavation, backfilling, road removal and restoration, pipeline installation, construction of auxiliary structures along the line, and construction of crossing civil works	Mar 2020	Dec 2022	33	148,883	19,657	8,626	–	177,166	100%	–	177,166	–	–	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage % (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
4.	Project SAC-3	State-owned enterprise	Taiyuan, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Construction engineering, decoration engineering, water supply and drainage system, fire protection system, electrical system, heating and ventilation and air conditioning system, intelligent system and other installation works	Jul 2018	Dec 2023	65	140,780	99,105	1,810	–*	411,766	97.5%	–	376,147	10,737	–	–
5.	Project SAC-11	State-owned enterprise	Jinzhong, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Construction of production plant and outdoor storage yard, complete all civil works, decoration and installation works, etc. of an industrial park	Jul 2019	Jun 2023	48	133,493	142,054	46,968	45,679	409,363	100%	–	325,450	–	–	–
6.	Project SAC-12	State-owned enterprise	Taiyuan, Shanxi	Standardized workshop engineering	EPC project	Main contractor	General contracting of construction work including the design, construction, procurement, installation, completion acceptance, and handover at each stage of a standardized workshop of an intelligent manufacturing industrial park	Oct 2020	Oct 2025	60	114,582	153,642	8,247	477	276,948	48.4%	–	837,964	5,265	150,000	140,000

* No revenue was recognized during the six months ended June 30, 2023 as the project was pending for completion audit, the remaining revenue is expected to be recognized after completion audit.

Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000) (Note 2)	Completion percentage % (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) (Note 2) 2023	2024	2025
7. Project SAC-4	Private enterprise	Ordos, Inner Mongolia	Gas engineering	EPC project	Main contractor	All installation works of all equipment, process pipelines, electrical instrumentation and control, steel structure, communication, etc. of an LNG production plant	Jul 2019	Jul 2021	29	91,306	90,332	–	–	272,366	100%	–	219,320	–	–	–
8. Project SAC-14	State-owned enterprise	Shuozhou, Shanxi	Urban heating engineering	EPC project	Main contractor	Maintenance and renovation of auxiliary machines and renovation of electrical engineering and control system of 3 sets of medium temperature and medium pressure circulating fluidized bed boilers, environmental protection systems for dust removal, desulfurization and denitrification, demolition and new civil works	Aug 2020	May 2024	45	80,861	24,514	27,266	–	132,641	90.2%	–	147,107	–	14,466	–
9. PPP Project of Two Roads and Three Streets Widening and Reconstruction Project in Huguan County	Government authority of the Huguan County	Changzhi, Shanxi	Road Bridge engineering	PPP project	Main contractor	Road engineering, rainwater engineering, sewage engineering, water supply engineering, electric power engineering, traffic engineering, lighting engineering, greening engineering, etc. of a district	Mar 2018	Jun 2021	204	77,947	36,569	18,191	9,279	311,302	100%	6,102	217,189	–	–	–
10. Project SAC-19	State-owned enterprise	Jincheng, Shanxi	Drainage engineering	EPC project	Main contractor	Construction of the drainage system covering road bridge including water pumping, rainwater and sewage drainage system	Apr 2020	Aug 2024	52	74,259	190,809	6,228	1,322	272,618	91.3%	627	231,345	7,309	18,678	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

For the year ended December 31, 2021:

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000) (Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) 2023	2024	2025
1.	Project SAC-18	Private enterprise	Aksu, Xinjiang	Urban heating engineering	EPC project	Main contractor	Construction of the independent heating system, network system, monitoring system and supporting power distribution system of the community district and town government	Aug 2021	Dec 2023	28	–	196,912	5,497	860	203,269	98.3%	–	216,294	3,517	–	–
2.	Project SAC-19	State-owned enterprise	Jincheng, Shanxi	Drainage engineering	EPC project	Main contractor	Construction of the drainage system covering road bridge including water pumping, rainwater and sewage drainage system	Apr 2020	Aug 2024	52	74,259	190,809	6,228	1,322	272,618	91.3%	627	231,345	7,309	18,678	–
3.	Project SAC-12	State-owned enterprise	Taiyuan, Shanxi	Standardized workshop engineering	EPC project	Main contractor	General contracting of construction work including the design, construction, procurement, installation, completion acceptance and handover at each stage of a standardized workshop of an intelligent manufacturing industrial park	Oct 2020	Oct 2025	60	114,582	153,642	8,247	477	276,948	48.4%	–	837,964	5,265	150,000	140,000
4.	Project SAC-11	State-owned enterprise	Jinzhong, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Construction of production plant and outdoor storage yard, complete all civil works, decoration and installation works, etc. of an industrial park	Jul 2019	Jul 2023	48	133,493	142,054	46,968	45,679	409,363	100%	–	325,450	–	–	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) 2023	2024	2025
5.	Project SAC-20	State-owned enterprise	Datong, Shanxi	Urban heating engineering	EPC project	Main contractor	Construction of a centralized boiler room boiler system, including the construction of the water supply and drainage system, boiler system, thermal system, slag discharge system, coal transportation system, power supply system, power supply access system, auxiliary works in the field	Apr 2021	Dec 2024	44	–	134,806	2,861	336	138,004	76.0%	–	182,873	3,000	40,493	–
6.	Project SAC-21	Government authority of the Wuhu City	Wuhu, Anhui	Water supply engineering	EPC project	Main contractor	Relocation construction project of a water pipe of 13.26km, including excavation and buried pipe construction, construction of caisson structures, pipe jacking construction, pipe culvert construction, inverted rainbow construction, construction of bridge sections across the river, current demolition and restoration along the line, and automatic control instruments, etc.	Sep 2020	Dec 2022	27	285	132,692	6,487	–	139,464	100%	–	139,464	–	–	–
7.	PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Liulin County	Government authority of Liulin County	Lvliang, Shanxi	Urban heating engineering	PPP project	Main contractor	Construction of main pipe, branch pipe network, 27 heat exchange stations and auxiliary stations for a central heating project	Mar 2019	Mar 2021	360	166,129	128,024	108,971	62,135	727,156	100%	10,980	324,037	–	–	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) 2023	2024	2025
8.	Project SAC-26	Private enterprise	Zhumadian, Henan	Other project	EPC project	Main contractor	Construction work for a waste treatment and recycling project with 3 grate-type waste incinerators and 2 pure condensing steam turbine generator sets	Dec 2020	Dec 2023	36	–	126,590	101,854	11,530	239,974	89.6%	6,533	137,615	25,502	–	–
9.	Project SAC-22	State-owned enterprise	Taiyuan, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Design, construction and equipment procurement of steel structure workshops, office buildings, dormitory buildings, public toilets, gatehouses, boiler rooms and other supporting facilities	May 2021	Jul 2025	50	–	118,045	31,967	2,015	152,027	27.4%	1,260	555,046	121,240	195,200	85,319
10.	Project SAC-17	State-owned enterprise	Jinzhong, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Construction of comprehensive service area (綜合服務區), including all civil works, decoration and installation works	Aug 2019	Aug 2024	60	37,689	105,645	118,392	20,371	318,469	88.4%	12,512	259,502	27,488	34,633	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

For the year ended December 31, 2022

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) 2023	2024	2025
1.	Project SAC-24	State-owned enterprise	Yuncheng, Shanxi	Urban heating engineering	EPC project	Main contractor	Design, construction, equipment and material procurement, linkage testing of a central heating system	Apr 2022	Apr 2024	24	–	–	240,291	28,628	268,919	98.2%	2,026	273,794	1,974	875	–
2.	Project SAC-17	State-owned enterprise	Jinzhong, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Construction of comprehensive service area (综合服務區), including all civil works, decoration and installation works	Aug 2019	Aug 2024	60	37,689	105,645	118,392	20,371	318,469	88.4%	12,512	259,502	27,488	34,633	–
3.	Project SAC-23	State-owned enterprise	Taiyuan, Shanxi	Standardized workshop engineering	EPC project	Subcontractor	Fabrication and installation of steel structures in machining workshops and forging workshops	Jan 2022	Jul 2024	30	–	–	117,769	1,782	119,551	88.7%	1,797	117,769	8,203	5,260	–
4.	PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Liulin County	Government authority of Liulin County	Lvliang, Shanxi	Urban heating engineering	PPP project	Main contractor	Construction of main pipe, branch pipe network, 27 heat exchange stations and auxiliary stations for a central heating project	Mar 2019	Mar 2021	360	166,129	128,024	108,971	62,135	727,156	100%	10,980	324,037	–	–	–
5.	Project SAC-26	Private enterprise	Zhumadian, Henan	Environmental engineering	EPC project	Main contractor	Construction work for a waste treatment and recycling project with 3 grate-type waste incinerators and 2 pure condensing steam turbine generator sets	Dec 2020	Dec 2023	36	–	126,590	101,854	11,530	239,974	89.6%	6,533	137,615	25,502	–	–
6.	Project SAC-25	Private enterprise	Alashan Youqi, Inner Mongolia	Standardized workshop engineering	EPC project	Main contractor	Construction work of a pool including the designing and the civil work of the construction project	Sep 2021	Sep 2023	24	–	–	98,049	6,025	104,096	95.0%	6,429	99,707	3,693	–	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) 2023	2024	2025
7.	Qinshui-East Link Traffic Hub portion of the PPP Project of Quality Improvement project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province	Government authority of Qinshui County	Jincheng Shanxi	Road and bridge engineering	PPP project	Main contractor	Investment and financing, construction, operation and maintenance Construction: Construct school building, office building, library and other basic facilities of new party school, carry out road, bridge, tunnel, lighting, water discharge, transportation and green construction for Qinshui-East Link Traffic Hub Project; Operation and maintenance: facilities, restaurants, dormitory and convenience stores within party school and management of charging pipes (充電樁經營管理) in the traffic hub	Jul 2022	Aug 2024	240	–	–	91,105	114,427	205,532	54.7%	39,288	375,559	44,358	100,000	–
8.	Project SAC-28	State-owned enterprise	Taiyuan, Shanxi	Urban heating engineering	EPC project	Main contractor	Construction of gas boiler room, flue gas recovery room, energy center, production auxiliary building, etc.	Mar 2022	Sep 2024	30	–	–	82,715	17,799	100,514	85.8%	10,809	110,184	14,550	1,644	–
9.	Project SAC-11	State-owned enterprise	Jinzhong, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Construction of production plant and outdoor storage yard, complete all civil works, decoration and installation works, etc. of an industrial park	Jul 2019	Jun 2023	48	133,493	142,054	46,968	45,679	409,363	100%	–	325,450	–	–	–

Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000) (Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) 2023	2024	2025
10. Project SAC-29	Government authority	Lvliang, Shanxi	Urban heating engineering	EPC project	Main contractor	Reconstruction of 2,730 value wells, installation of 8,428 flow regulating wells of an urban heating system, including the road demolition and restoration work and demolition and re-laying of underground pipeline networks.	May 2022	May 2023	12	–	–	44,083	5,018	49,101	78.2%	2,277	62,800	8,871	3,699	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

For the six months ended June 30, 2023:

	Project	Identity of customers	Location	Type of project	EPC/PPP	Our Capacity undertaking the project	Scope of work	Commencement Date	Expected/actual completion date (Note 1)	Contract Term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total Revenue (RMB'000)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)	Original contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years thereafter (RMB'000) 2023	2024	2025
1.	Project SAC-30	Private enterprise	Otog Front Banner, Ordos City, Inner Mongolia	Standardized workshop engineering	EPC project	Main contractor	Construction of a 50,000 ton high-purity polycrystalline silicon production plant	Jan 2023	Jul 2024	18	–	–	–	155,951	155,951	28.3%	41,391	550,459	250,000	144,508	–
2.	Qinshui-East Link Traffic Hub portion of the PPP Project of Quality Improvement project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province	Government authority of Qinshui County	Jincheng, Shanxi	Road and bridge engineering	PPP project	Main contractor	Investment and financing, construction, operation and maintenance Construction: Construct school building, office building, library and other basic facilities of new party school, carry out road, bridge, tunnel, lighting, water discharge, transportation and green construction for Qinshui-East Link Traffic Hub Project; Operation and maintenance: facilities, restaurants, dormitory and convenience stores within party school and management of charging pipes (充電樁經營管理) in the traffic hub	Jul 2022	Aug 2024	240	–	–	91,105	114,427	205,532	54.7%	39,288	375,559	44,358	100,000	–
3.	Project SAC-31	Private enterprise	Lingwu City, Ningxia Hui Autonomous Region	Standardized workshop engineering	EPC project	Main contractor	Construction of a lithium batteries production plant	Feb 2023	Aug 2024	18	–	–	–	110,153	110,153	32.1%	91,000	343,110	200,000	32,957	–

	Project	Identity of customers	Location	Type of project	EPC/PPP	Our Capacity undertaking the project	Scope of work	Commencement Date	Expected/actual completion date (Note 1)	Contract Term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2)				Total Revenue (RMB'000)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)	Original contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years thereafter (RMB'000)		
											2020	2021	2022	For the six months ended June 30, 2023					2023	2024	2025
4.	PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Liulin County	Government authority of Liulin County	Lvliang, Shanxi	Urban heating engineering	PPP project	Main contractor	Construction of main pipe, branch pipe network, 27 heat exchange stations and auxiliary stations for a central heating project	Mar 2019	Mar 2021	360	166,129	128,024	108,971	62,135	727,156	100.0%	10,980	324,037	–	–	–
5.	Project SAC-32	Private enterprise	Qujing, Yunnan	Standardized workshop engineering	EPC project	Main contractor	Construction of a hydrogen production station (制氫站)	Dec 2022	Aug 2024	20	–	–	–	47,813	47,813	9.5%	38,068	504,587	197,932	256,774	–
6.	Project SAC-11	State-owned enterprise	Jinzhong, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Construction of production plant and outdoor storage yard, complete all civil works, decoration and installation works, etc. of an industrial park	Jul 2019	Jul 2023	48	133,493	142,054	46,968	45,679	409,363	100.0%	–	325,450	–	–	–
7.	Project SAC-33	Private enterprise	Ulanqab City, Inner Mongolia	Standardized workshop engineering	EPC project	Main contractor	Construction of an ion battery cathode material iron phosphate production plant with an annual output of 30,000 tons	Nov 2022	Jul 2024	20	–	–	–	42,438	42,438	53.7%	25,470	79,064	10,000	1,156	–
8.	Project SAC-34	Government authority	Lvliang, Shanxi	Road & Bridge engineering	EPC project	Main contractor	Construction of an urban trunk road, including embankment, surface, reinforcement and protection, water supply and drainage, electronic engineering; with 3 bridges and one underground passage	Aug 2020	Jun 2024	46	22,064	79,815	12,409	36,112	150,400	98.2%	972	153,107	1,028	707	–

	Project	Identity of customers	Location	Type of project	EPC/PPP	Our Capacity undertaking the project	Scope of work	Commencement Date	Expected/actual completion date (Note 1)	Contract Term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2)				Total Revenue (RMB'000)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)	Original contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years thereafter (RMB'000)		
											2020	2021	2022	For the six months ended June 30, 2023					2023	2024	2025
9.	Project SAC-24	State-owned enterprise	Yuncheng, Shanxi	Urban heating engineering	EPC project	Main contractor	Design, construction, equipment and material procurement, linkage testing of a central heating system	Apr 2022	Apr 2024	24	–	–	240,291	28,628	268,919	98.2%	2,026	273,794	1,974	875	–
10.	PPP Project of Underground Comprehensive Pipe Gallery Project in Xiyang Economic and Technological Development Zone, Xiyang County, Jingzhong City	Government authority of the Xiyang County	Jinzhong, Shanxi	Drainage engineering	PPP project	Main contractor	Construction of an underground comprehensive pipe gallery comprising main line pipe gallery, river crossing pipe gallery, material and equipment procurement	Jun 2019	Dec 2020	240	233,680	105,304	22,932	21,420	645,874	100.0%	13,274	514,110	–	–	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

Timing of collection on construction projects and retention amounts

During the Track Record Period, a substantial amount of our revenue was derived from our specialized industrial construction and specialized auxiliary construction. Our construction contracts include payment schedules, which required progress payment to be made over the construction period once certain milestones are reached. Our clients generally retain 3.0% – 10.0% of contract value as a warranty for the completed contract for one to three years. This amount is included in the contract assets until the end of the retention period. According to Frost & Sullivan, the aforementioned is a common industry practice.

Other Construction

We also provide construction services for residential buildings (buildings for people to live in), office buildings (office buildings, government offices, etc.), commercial buildings (such as shopping malls, financial buildings, etc.) and SECH buildings (including cultural, educational, scientific, medical, health, sports buildings, etc.), as well as general contracting services for such projects. However, since building construction is not our main business focus and did not account for major share of our total revenue during the Track Record Period, we did not actively seek business opportunities in this segment and only occasionally undertook projects in this subsegment referred to us by our customers.

For building construction projects of other construction, we have obtained the following material qualifications:

- the First Grade Qualification of General Contracting for Construction Engineering

- the Grade A Qualification for Architectural Decoration Engineering Design

- the Grade A Qualification for Building Intelligent System Design

During the Track Record Period, we engaged in building construction projects based on the market demands instead of actively seeking opportunities to participate in such projects. The contracted amount and work performed of projects we engaged varied with high flexibility.

The below table sets out details of the major projects, selected primarily based on the top ten projects by revenue recognized during each year of the Track Record Period, among other construction projects (excluding overseas projects) we have undertaken during the Track Record Period:

For the year ended December 31, 2020:

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000) (Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) (Note 2) 2023	2024	2025
1.	Project OC-12	Private enterprise	Taiyuan, Shanxi	Commercial building construction	EPC project	Main contractor	Design, procurement and construction of an exhibition center, apartment and auxiliary facilities	Aug 2020	Aug 2025	60	134,569	4,355	894	13	139,830	29.6%	–	472,561	2,731	130,000	200,000
2.	Project OC-14	Government authority of Duyun City	Duyun, Guizhou	SECH buildings construction	EPC project	Main contractor	Comprehensive building, practice building, gymnasium, student apartment, faculty apartment	Mar 2018	Nov 2021	44	126,474	53,007	–	–	207,757*	100%	–	246,531	–	–	–
3.	PPP Project of Swimming Pool and Meixing Theater of Qinshui County in Jincheng City, Shanxi Province	Government Authority of Qinshui County	Jincheng, Shanxi	SECH buildings construction	PPP project	Main contractor	Design, procurement and construction of a swimming pool and theatre	Feb 2019	May 2022	240	125,733	88,580	47,519	18,229	327,584	100%	7,506	283,675	–	–	–

* The total revenue recognised under Project OC-14 was less than the original contract amount as the scope of work under the relevant contract was modified. Construction work of Project OC-14 was completed in November 2021. Accordingly, no revenue was recognised in 2022. The completion audit for Project OC-14 was completed in December 2022.

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
4.	Project OC-15	Private enterprise	Tianjin	Commercial building construction	EPC project	Main contractor	Overall planning, coordination and management of each subcontracting site, various filing procedures, data management filing, acceptance, etc.	Jul 2019	Sep 2023	53	90,759	8,954	10,590	1,417	115,248	100%	–	100,027	–	–	–
5.	Project OC-13	Government authority of Lu'an City	Lu'an, Anhui	Residential building construction	EPC project	Main contractor	Design, procurement and construction of building structures within a residential area	Nov 2019	Jul 2021	20	73,140	15,909	–	–	101,413	100%	–	109,414	–	–	–
6.	Project OC-1	Private enterprise	Jinzhong, Shanxi	Residential building construction	EPC project	Main contractor	Construction of residence buildings (excluding fire and elevator)	Sep 2018	May 2024	68	61,072	139,140	32,835	–	454,618	94.6%	–	399,249	5,867	20,000	–
7.	Project OC-11	Private enterprise	Beijing	Commercial building construction	EPC project	Main contractor	Decoration, energy saving, building roofing, water supply, drainage, heating, ventilation and air conditioning, building electrical, intelligent building, elevator engineering and outdoor engineering	Aug 2017	Aug 2022	60	59,745	69,386	26,291	–	185,335	100%	–	248,894	–	–	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000)(Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
8.	Project OC-16	Private enterprise	Yantai, Shandong	EPC Project	EPC project	Main contractor	Overall planning, coordination and management of each subcontracting site, various filing procedures, data management filing, acceptance, etc.	May 2019	Dec 2023	55	55,348	10,274	20,434	720	101,281	98.0%	525	77,982	2,062	–	–
9.	Project OC-17	State-owned enterprise	Taiyuan, Shanxi	Commercial building construction	EPC project	Main contractor	Construction of scientific research center, test center and staff dormitory civil works and some installation works	May 2020	Oct 2023	41	50,450	16,753	–	1,374	68,576	99.6%	–	80,312	275	–	–
10.	Project OC-18	Government authorities	Linfen, Shanxi	Residential building construction	EPC project	Main contractor	Water supply, heating, property maintenance and renovation	Apr 2019	Jun 2023	50	42,678	16,678	160	(291)^	82,226^	100%	–	89,255	–	–	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

^ The total revenue recognized decreased as a result of completion audit.

For the year ended December 31, 2021:

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000) (Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) (Note 2) 2023	2024	2025
1.	Project OC-19 (Note 4)	Government authority of Taiyuan City	Taiyuan, Shanxi	Residential building construction	EPC project	Main contractor	Construction of talent apartments, supporting businesses, supporting buildings and other properties and supporting facilities	Mar 2021	May 2025	50	–	420,306	56,167	74,364	550,837	80.8%	36,188	668,794	75,961	50,000	1,348
2.	Project OC-1	Private enterprise	Jinzhong, Shanxi	Residential building construction	EPC project	Main contractor	Construction of residence buildings (excluding fire and elevator)	Sep 2018	May 2024	68	61,072	139,140	32,835	–	454,618	94.6%	–	399,249	5,867	20,000	–
3.	Project OC-21 (Note 5)	State-owned enterprise	Taiyuan, Shanxi	Residential building construction	EPC project	Main contractor	Construction of 6 high-rise residential buildings, 2 multi-storey residential buildings, property service and supporting facilities, business, kindergarten, underground garage, outdoor roads, greening and hardening, outdoor pipe network supporting infrastructure, etc.	Jun 2020	Jun 2024	48	34,213	129,203	66,769	16,560	246,746	86.2%	–	226,124	9,631	30,000	–
4.	Project OC-22	Private enterprise	Taiyuan, Shanxi	Commercial building construction	EPC project	Main contractor	Construction of freezers, cold storages, processing workshops, office complexes, etc.	Jul 2021	Dec 2023	29	–	112,843	124,590	85,154	322,587	98.9%	–	363,609	3,602	–	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000) (Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) (Note 2) 2023	2024	2025
5.	PPP Project of Swimming Pool and Meixing Theater of Qinshui County in Jincheng City, Shanxi Province	Government Authority of Qinshui County	Jincheng, Shanxi	SECH buildings construction	PPP project	Main contractor	Design, procurement and construction of a swimming pool and theater	Swimming Pool Feb 2019 Meixing Theater May 2019	Swimming Pool May 2021 Meixing Theater May 2022	240	125,733	88,580	47,519	18,229	327,584	100%	7,506	283,675	–	–	–
6.	Project OC-23	Private enterprise	Yongji, Shanxi	Residential building construction	EPC project	Main contractor	Construction of residence	Aug 2020	Jun 2024	46	15,970	86,613	11,389	1,332	115,304	93.3%	–	109,442	1,230	7,000	–
7.	Project OC-11	Private enterprise	Beijing	Commercial building construction	EPC project	Main contractor	Decoration, energy saving, building roofing, water supply, drainage, heating, ventilation and air conditioning, building electrical, intelligent building, elevator engineering and outdoor engineering	Aug 2017	Aug 2022	60	59,745	69,386	26,291	–	185,335	100%	–	248,894	–	–	–
8.	Project OC-14	Government authority of Duyun City	Duyun, Guizhou	SECH buildings construction	EPC project	Main contractor	Comprehensive building, practice building, gymnasium, student apartment, faculty apartment	Mar 2018	Nov 2021	44	126,474	53,007	–	–	207,757*	100%	–	246,531	–	–	–
9.	Project OC-25	Government authorities	Taiyuan, Shanxi	Residential building construction	EPC project	Main contractor	Design, procurement and construction of a water plant and reconstruction of old community	Aug 2021	Aug 2023	24	–	37,031	4,349	3,271	44,651	99.3%	295	44,946	295	–	–
10.	Project OC-20	Government authorities	Fushun, Liaoning	SECH buildings construction	EPC project	Main contractor	Construction of hospital comprehensive building	Dec 2020	Dec 2023	36	–	33,735	15,183	2,592	51,510	90.7%	6,180	56,774	2,620	–	–

* The total revenue recognised under Project OC-14 was less than the original contract amount as the scope of work under the relevant contract was modified. Construction work of Project OC-14 was completed in November 2021. Accordingly, no revenue was recognised in 2022. The completion audit for Project OC-14 was completed in December 2022.

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

5. Supplemental agreement has been entered into for this project, pursuant to which the original contract term was extended.

For year ended December 31, 2022:

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2): 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000) (Note 2)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) (Note 2): 2023	2024	2025
1.	Project OC-26	Private enterprise	Hengshui, Hebei	Residential building construction	EPC project	Main contractor	Construction of residential buildings, commercial buildings, community service centers, and supporting buildings	Feb 2022	Dec 2024	34	–	–	177,967	133,144	311,111	81.5%	–	368,500	685	70,000	–
2.	Project OC-22	Private enterprise	Taiyuan, Shanxi	Commercial building construction	EPC project	Main contractor	Construction of freezers, cold storages, processing workshops, office complexes, etc.	July 2021	Dec 2023	29	–	112,843	124,590	85,154	322,587	98.9%	–	363,609	3,602	–	–
3.	Project OC-34	Private enterprise	Baodi, Tianjin	Commercial building construction	EPC project	Main contractor	Construction of commercial building, including all interior decoration, heating, ventilation, water pipe construction, fire prevention, works and etc.	Nov 2020	Jun 2024	43	65	11,201	114,957	–@	126,223	52.1%	–	242,247	6,023	110,000	–
4.	Project OC-35	State-owned enterprise	Changping, Beijing	Commercial building construction	EPC project	Subcontractor	Construction of commercial building, including ventilation, heating, water supply and drainage, power supply engineering and material procurement, production, construction, installation, operation and commissioning thereof	June 2021	Dec 2023	30	–	988	92,478	68,740	162,206	81.7%	55,109	198,442	2,318	–	–

Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
5. Project OC-28	Private enterprise	Yangquan, Shanxi	Commercial building construction	EPC project	Main contractor	Construction of underground pipe networks and calcium chloride plant	Dec 2021	Aug 2023	20	–	18,424	83,618	6,969	109,011	93.3%	2,140	116,847	5,696	–	–
6. Project OC-27	Private enterprise	Baotou, Inner Mongolia Autonomous Region	SECH buildings construction	EPC project	Main contractor	Construction of wastewater treatment station, high-salt wastewater recovery, fire accident pool, reclaimed water recovery station, sewage zero-discharge treatment station, fire water supply station, heat supply pipe, steam condensate water system, water supply and power supply	May 2022	Sep 2024	28	–	–	82,165	20,310	102,475	78.7%	–	130,275	7,800	20,000	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
7.	New Party School portion of the PPP project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province	Government authority of Qinshui County	Jincheng, Shanxi	SECH buildings construction	PPP project	Main contractor	Investment and financing, construction, operation and maintenance Construction: Construct school building, office building, library and other basic facilities of new party school, carry out road, bridge, tunnel, lighting, water discharge, transportation and green construction for Qinshui-East Link Traffic Hub Project; Operation and maintenance: facilities, restaurants, dormitory and convenience stores within party school and management of charging pipes (充電樁經營管理) in the traffic hub	June 2022	July 2024	240	–	–	68,140	46,484	114,624	67.9%	8,365	168,765	31,635	14,141	–
8.	Project OC-21	State-owned enterprise	Taiyuan, Shanxi	Residential building construction	EPC project	Main contractor	Construction of 6 high-rise residential buildings, 2 multi-storey residential buildings, property service and supporting facilities, business, kindergarten, underground garage, outdoor roads, greening and hardening, outdoor pipe network supporting infrastructure, etc.	Jun 2020	Dec 2023	42	34,213	129,203	66,770	16,560	246,746	86.2%	–	226,124	9,631	30,000	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)(Note 2)	Completion percentage (%)(Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value without tax (RMB'000) (Note 2)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)(Note 2) 2023	2024	2025
9.	Project OC-31	Government authority of Dai County	Xinzhou, Shanxi	SECH buildings construction	EPC project	Main contractor	Design, procurement and construction of SECH building	Dec 2021	Dec 2023	24	–	–	61,835	21,099	82,934	73.7%	17,297	112,558	26,038	–	–
10.	Project OC-19 (Note 5)	Government authority of Taiyuan City	Taiyuan, Shanxi	Residential building construction	EPC project	Main contractor	Construction of talent apartments, supporting businesses, supporting buildings and other properties and supporting facilities	Mar 2021	May 2025	50	–	420,306	56,167	74,364	550,837	80.8%	36,188	668,794	75,961	50,000	1,348

Notes:

1 Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2 The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3 For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

5 Supplemental agreement has been entered into for this project, pursuant to which the original contract term was extended.

@ The project was suspended temporarily and pending for the project owner's financial arrangements.

For the six months ended June 30, 2023:

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2)				Total revenue (RMB'000)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)		
											2020	2021	2022	For the six months ended June 30, 2023					2023	2024	2025
1	Project OC-26	Private enterprise	Hengshui, Hebei	Residential building construction	EPC project	Main contractor	Construction of residential buildings, commercial buildings, community service centers, and supporting buildings	Feb 2022	Dec 2024	34	–	–	177,967	133,144	311,111	81.5%	–	368,500	685	70,000	–
2	Project OC-22	Private enterprise	Taiyuan, Shanxi	Commercial building construction	EPC project	Main contractor	Construction of freezers,cold storages, processing workshops, office complexes, etc.	Jul 2021	Dec 2023	29	–	112,843	124,590	85,154	322,587	98.9%	–	363,609	3,602	–	–
3	Project OC-19 *(Note 5)*	Government authority of Taiyuan City	Taiyuan, Shanxi	Residential building construction	EPC project	Main contractor	Construction of talent apartments, supporting businesses, supporting buildings and other properties and supporting facilities	Mar 2021	May 2025	50	–	420,306	56,167	74,364	550,837	80.8%	36,188	668,794	75,961	50,000	1,348
4	Project OC-35	State-owned enterprise	Changping, Beijing	Commercial building construction	EPC project	Subcontractor	Construction of commercial building, including ventilation, heating, water supply and drainage, power supply engineering and material procurement, production, construction, installation, operation and commissioning thereof	Jun 2021	Dec 2023	30	–	988	92,478	68,740	162,206	81.7%	55,109	198,442	2,318	–	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) 2023	2024	2025
5	New Party School portion of the PPP project of Quality Improvement Project (New Party School, Qinshui- East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province	Government authority of Qinshui County	Jincheng, Shanxi	SECH buildings construction	PPP project	Main contractor	Investment and financing,construction, operation and maintenance Construction: Construct school building, office building, library and other basic facilities of new party school, carry out road, bridge, tunnel, lighting, water discharge, transportation and green construction for Qinshui- East Link Traffic Hub Project; Operation and maintenance: facilities, restaurants, dormitory and convenience stores within Party school and management of charging pipes (充電樁經營管理) in the traffic hub	Jun 2022	Jul 2024	240	–	–	68,140	46,484	114,624	67.9%	8,365	168,765	31,635	14,141	–
6	Project OC-36	State-owned enterprise	Taiyuan, Shanxi	SECH buildings construction	EPC project	Main contractor	Construction of a pipeline expansion project covering an area of 10 million square meter and construction of the auxiliary pipeline network	Dec 2022	Jul 2025	30	–	–	–	41,388	41,388	20.5%	12,842	201,951	60,000	60,000	40,563

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project	Scope of work	Commencement date	Expected/ actual completion date (Note 1)	Contract term (Month) (Note 3)	Revenue recognized during the Track Record Period (RMB'000) (Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Original contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) 2023	2024	2025
7	Project OC-31	Government authority of Dai County	Xinzhou, Shanxi	SECH buildings construction	EPC project	Main contractor	Design, procurement and construction of SECH building	Dec 2021	Dec 2023	24	–	–	61,835	21,099	82,934	73.7%	17,297	112,558	26,038	–	–
8	Project OC-27	Private enterprise	Baotou, Inner Mongolia Autonomous Region	SECH buildings construction	EPC project	Main contractor	Construction of wastewater treatment station, high-salt wastewater recovery, fire accident pool, reclaimed water recovery station, sewage zero-discharge treatment station, fire water supply station, heat supply pipe, steam condensate water system, water supply and power supply	May 2022	Sep 2024	28	–	–	82,165	20,310	102,475	78.7%	–	130,275	7,800	20,000	–
9	PPP Project of Swimming Pool and Meixing Theater of Qinshui County in Jincheng City, Shanxi Province	Government Authority of Qinshui County	Jincheng,Shanxi	SECH buildings construction	PPP project	Main contractor	Design, procurement and construction of a swimming pool and theater	Feb 2019	May 2022	240	125,733	88,580	47,519	18,229	327,584	100%	7,506	283,675	–	–	–

	Project	Identity of customer	Location	Type of project	EPC/PPP	Our capacity undertaking the project	Scope of work	Commencement date	Expected/ actual completion date(Note 1)	Contract term (Month)(Note 3)	Revenue recognized during the Track Record Period (RMB'000)(Note 2) 2020	2021	2022	For the six months ended June 30, 2023	Total revenue (RMB'000)	Completion percentage (%) (Note 4)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000)(Note 2)	Original contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) 2023	2024	2025
10	Project OC-21 *(Note 5)*	State-owned enterprise	Taiyuan, Shanxi	Residential building construction	EPC project	Main contractor	Construction of 6 highrise residential buildings, 2 multi-storey residential buildings, property service and supporting facilities, business, kindergarten, underground garage, outdoor roads, greening and hardening, outdoor pipe network supporting infrastructure, etc.	Jun 2020	Dec 2023	42	34,213	129,203	66,769	16,560	246,746	86.2%	–	226,124	9,631	30,000	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

3. For PPP projects, the contract term refers to the entire concession period which includes the operation period. Accordingly, the expected/actual completion date falls within the contract term.

4. Completion percentage is calculated based on the work progress up to the end of the Track Record Period.

5. Supplemental agreement has been entered into for this project, pursuant to which the original contract term was extended.

Non-Construction Business

We also generate revenue from non-construction business, which mainly includes sales revenue from LNG, provision of urban heating technical services, operating and interest income from PPP projects, trading income and others.

Our revenue generated from the non-construction business segment amounted to RMB726.9 million, RMB1,107.8 million, RMB1,266.0 million and RMB628.4 million respectively for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, which accounted for 7.2%, 8.3%, 9.9% and 12.0% of our total revenue for respective years/period. Our income for the non-construction business was mainly driven by our PPP operating fee income and interest income, urban heating technical services income, sales revenue from LNG and our trading income.

Our non-construction business mainly includes the following components:

Sales revenue from LNG

We purchase natural gas in gaseous state extracted by upstream coal-bed methane developers in Daning County, Linfen, Shanxi Province, which are Independent Third Parties, and produces LNG through procedures such as impurity removal and cooling. We sell such LNG primarily through wholesaling in Shanxi province. LNG can be used by urban residents, public utilities and automobile, which would have positive effects to improve our economies of scale and promote local economic development. LNG has strong competitiveness and promising market prospects as we can leverage on its performance and convenient transportation and give full play to the advantages of pricing and environmental protection.

Provision of urban heating technical services

We provide urban heating technical services by modifying equipment owned by our customers through our own technological strength, thereby realizing energy conservation on our customers' part. We then share profits with our customers based on the costs saved on energy consumption, recover costs and gain profits through profits sharing for a certain period. According to customer needs, we adopt various business models such as EMC to realize profit sharing. For example, our subsidiary Shan'an Bluesky, is mainly engaged in provision of energy-saving heating services for large and medium-sized industrial enterprises, heating companies and other customers, through the EMC model and other business models of cooperation to derive revenue and profit. In an energy-saving benefit sharing model, which is a subtype of energy management mechanism under the EMC model, all the investment and risks during the heating and energy-saving construction project period are borne by us. After the completion of construction and within a certain period as agreed in the contract, we enjoy all the energy saving benefits calculated based on a pre-determined fixed rate for the unit of cost saving on energy consumption and the confirmed volume of heat energy saved. On one hand, our customer benefits from the total heat energy cost saved. On the other hand, our project construction and investment costs are paid out of the heat energy cost saved. Under the energy-saving benefit sharing model, the heating equipment is initially owned by our Company. After the end of the heating service periods as agreed in contract, we will transfer the project assets (including the heating equipment) and all subsequent energy-saving benefits to our customers, without consideration.

Operating fee income and interest income from PPP Projects

Under PPP Projects, we generate operating fee income and interest income from the operation of the facilities we constructed for an operating period ranging from 10 – 29 years as stipulated under the relevant PPP contracts. For further information of our business model for PPP projects, please refer to the section headed "Construction investment – Public-Private Partnership Project" of this section.

Trading

During the Track Record Period, we engaged in the sales of engineering raw materials, including concrete, wind turbine towers and construction modules. When procuring raw materials required for construction, we centralized orders from different business unit and place bulk orders with our suppliers. Where there were excess inventory of engineering raw materials from other projects, we sold them to other construction companies where appropriate. On the other hand, our Group has invested in several engineering raw material production projects, which the project companies are engaged in the production of engineering raw materials such as concrete and construction modules. Generally, we generate profit from the difference between the purchase price of the raw materials and the price which we re-sell the relevant raw materials. As we mainly sell our engineering raw materials through open tenders, the pricing strategy of our trading business is primarily affected by three factors, namely (i) where applicable, the benchmark price (指導價格) of the relevant engineering raw materials issued by the provincial government which will be updated from time to time; (ii) the specifications of the relevant tender by customers; and (iii) the market prices of the relevant engineering raw materials. We usually adopt the benchmark price suggested by the government as a starting point and adjust the price we offered in the tender documents taking into account the quantity and market price of the engineering raw materials to be resold. During the Track Record Period, our revenue generated from trading accounted for RMB21.2 million, RMB148.0 million, RMB300.7 million and RMB79.6 million for the three years ended December 31, 2022 and the six months ended June 30, 2023, respectively. The fluctuation was primarily attributable to change in sales volume of engineering raw materials.

On the other hand, we also engaged in the production of construction raw materials during the Track Record Period, and the products we produced mainly comprised concrete and aluminum formwork. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the revenue contribution of sale of our self-produced construction materials amounted to approximately RMB20.5 million, RMB122.1 million, RMB71.4 million and RMB45.8 million, respectively, representing 0.2%, 0.9%, 0.6% and 0.9% of our total revenue for respective years/period.

Others

During the Track Record Period, we also generate revenue from large variety of sources that were ancillary to our construction business, such as sales of electricity from new energy projects invested and/or constructed by our Group, leasing services of construction and general equipment, provision of labour services in construction projects, provision of construction design consultation services, provision of construction maintenance services, provision of property services, as well as provision of construction safety training services.

In particular, as disclosed in the section headed "History, Development and Corporate Structure", we mainly provide leasing services of construction and general equipment, labor subcontracting services and construction machineries leasing services through Yu'an Hengchuang during the Track Record Period. Subsequent to the disposal of equity interests in Yu'an Hengchuang in 2021, it is expected that the revenue generated from the aforementioned businesses will decrease.

OVERSEAS BUSINESS

Building on our strong presence in China, we are also gradually expanding our overseas specialized industrial and specialized auxiliary construction contracting operations to capture opportunities in the overseas market. We have the ability to aid on foreign general contracting projects. In recent years, we have participated in a number of overseas projects.

The following table sets forth details of all our overseas projects, which revenue had been recognised, we participated in during the Track Record Period:

Project	Location	Identity of customers	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work performed by the Group	Project type	Revenue recognized during the Track Record Period (RMB'000)(Note 2) For the year ended December 31, 2020	2021	2022	For the six months ended June 30, 2023	Revenue recognized after the Track Record Period and up to the Latest Practicable Date	Original contract amount (RMB'000) (Note 2)	Commencement date	Expected completion date(Note 1)	Contract terms (months)	Completion percentage	Revenue to be recognized after the Latest Practicable Date for each of the next three years (RMB'000)(Note 2) For the year ending December 31, 2023	2024	2025
Overseas project-1	Indonesia	Private enterprise	EPC project	Subcontractor	Procurement of basic materials and construction and installation of coke ovens, coal towers, coke quenching towers, chimneys, coal blending bins, coke sheds, coal sheds and other ancillary units for a coke plant construction project	Other constructions	5,310	63,801	–*	7,530	–	112,000	Nov 2019	Jun 2024	55	81.5	15,000	5,727	–

* Overseas project-1 did not recognize any revenue during the year ended December 31, 2022 due to the need for additional funding by the property owner, as at the Latest Practicable Date, construction of Overseas project-1 has resumed and is expected to complete in the third quarter of 2023.

Project	Location	Identity of customers	EPC/PPP	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work performed by the Group	Project type	Revenue recognized during the Track Record Period (RMB'000)(Note 2) For the year ended December 31, 2020	2021	2022	For the six months ended June 30, 2023	Revenue recognized after the Track Record Period and up to the Latest Practicable Date	Original contract amount (RMB'000) (Note 2)	Commencement date	Expected completion date(Note 1)	Contract terms (months)	Completion percentage	Revenue to be recognized after the Latest Practicable Date for each of the next three years (RMB'000)(Note 2) For the year ending December 31, 2023	2024	2025
Overseas project-2	Australia	Private enterprise	EPC project	Main contractor	Designing, equipment procurement, transport and storage, construction installation and operation of photovolcanic power plant	Specialized industrial construction	6	3,437	–**	–	–**	N/A**	Jan 2022	N/A**	N/A**	0.3	N/A**	N/A**	N/A**
Overseas project-3	Indonesia	State-owned enterprise	EPC project	Subcontractor	Construction and installation of gas purification facilities, public works, slope protection, water supply pump station, telecommunications and power supply of coke plant	Specialized industrial construction	–	414	53,265	110,054	65,678	758,230	Nov 2021	Dec 2024	37	21.6	178,819	350,000	–
Overseas project-4	Bangladesh	State-owned enterprise	EPC project	Subcontractor	Procurement and installation of all 22 wind turbines and ancillary equipment of a wind power plant	Specialized industrial construction	–	–	39,308	30,663	10,735	300,867	Sep 2022	Dec 2024	27	23.3	70,161	150,000	–

Notes:

1. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

2. The discrepancies between the original contract value and the total revenue recognised during the Track Record Period are due to (i) the amount of variation orders by the parties in respect of each project and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contract; or (ii) part of the revenue had been recognized prior to the Track Record Period.

** Overseas project-2 did not recognize any revenue during the year ended December 31, 2022 as the original project owner had decided to transfer the project to a new owner and therefore, progress of the project had been halted. As at the Latest Practicable Date, this project owner had served a termination notice to the Company on April 26, 2023 and thus the parties are released from all rights and obligations. For details, please refer to the subsections headed "– Issues with our Australia Project" in this section of this prospectus.

To support China's "Belt and Road Initiative", we intend to leverage our advantages and specialties aiming to enhance our identity and reputation in fields such as electric power and chemical industry. We will also keep close attention to the development in various markets and seek suitable opportunities as supported by our relevant business units and personnel.

Based on our current overseas business expansion plans, we do not expect to grow our assets or business in jurisdictions with significant political (such as areas which are prone to instability and/or conflicts in political and government establishments) and legal risks (such as areas which do not have an established legal system or which the rule of law is uncertain). During the Track Record Period, our Group did not have any projects which had operations in areas subject to such risks. To the best knowledge of our Directors, after making all reasonable enquiries, our overseas operations and markets had not been subject to any sanctions, and there are no significant political and legal risks associated with our overseas expansion plans during the Track Record Period.

Issues with our Australia Project

In May 2021, our Group entered into an EPC contract (the **"Australia Project Contract"**) with a project owner (the **"Project Owner"**) in respect of the engineering, procurement, construction and operation of a solar farm situated in Australia (the **"Australia Project"**). In order to comply with the original timetable of the Australia Project, our Group entered into a procurement agreement (the **"Procurement Agreement"**) with a supplier (the **"Relevant Supplier"**), pursuant to which our Group agreed to procure inverters with certain specifications in the total amount of EUR8,983,560.8 (equivalent to approximately RMB69.3 million). A deposit (the "**Procurement Deposit**") of EUR898,356.1 (equivalent to approximately RMB6.9 million), representing 10% of the total amount under the Procurement Agreement had been advanced to the Relevant Supplier in June 2021.

In late 2021, our Group had requested payment from the Project Owner and was later made aware that due to funding needs by the Project Owner and despite our Group having commenced preparation work, including but not limited to the design, subcontractor bidding process and facilities preparation, the Australia Project was put to halt. At the material time, the Relevant Supplier had informed our Group that the inverters were ready to be delivered and had requested our Group to settle the remainder of the amount under the Procurement Agreement. While our Group had made clear to the Relevant Supplier that it wished to fulfil its obligation under the Procurement Agreement and had provided updates in relation to the status of the Australia Project to the Relevant Supplier, our Group did not settle the outstanding amount and the Project Owner had not made any payment to our Group. As advised by the Australia legal advisors of the Company in relation to the Australia Project, Holding Redlich (the "**Australia Legal Advisor**"), which our Directors and the Joint Sponsors concur, there was a potential breach of the Procurement Agreement on the part of our Group as the Australia Legal Advisor had not identified any clear basis which our Group could have delayed or avoided payment to the Relevant Supplier under the Procurement Agreement. Having said that, our Group had, at all material times, no intention to commit a breach of contract and had promptly responded to the requests from the Relevant Supplier and had actively informed the Relevant Supplier in respect of the latest status of the Australia Project and to discuss with them for an amicable solution.

Our Group had been liaising with the Project Owner to follow up on the progress of the Australia Project and confirming the relevant financial arrangement. As advised by the Project Owner, discussion had been held by the Project Owner and the New Owner in respect of the then arrangement of the Australia Project and the Project Owner had represented to the Company that the New Owner was likely to continue to engage the Group as the EPC contract and to continue to utilize the equipment from SMA AG. Given the above, as of December 31, 2022 and until the receipt of the termination notice from the Project Owner dated on April 26, 2023, the Company was expected to be able to continue to fulfil its obligations under the Australia Project Contract and to settle the Outstanding Sum with SMA AG when the Australia Project re-commenced.

In early April 2023, our Group were given to understand that the Project Owner had yet to sort out their financial arrangement for the Australia Project.

In light of the then understanding, our Group had internally discussed, among others, the impact that the delay in the Australia Project may bring to our Group and the possibility to terminate the Australia Project Contract. Our Group had subsequently commenced negotiation with the Project Owner to seek for the termination of the Australia Project Contract. On April 26, 2023, the Project Owner had served a termination notice on our Group indicating their intention to terminate the Australia Project Contract (the **"Termination"**). As advised by our Australia Legal Advisors, upon the receipt of the notice of termination of the Australia Project Contract from the Project Owner, the parties are released from all rights and obligations thereunder and, based on the terms of the Australia Project Contract, our Group will not be liable for any penalty for the Termination. The Project Owner and our Group did not enter into other agreements in relation to the Termination.

In light of the Termination, our Group had informed the Relevant Supplier that the Australia Project will not proceed and that our Group intend to terminate the Procurement Agreement through settlement. On May 16, 2023, our Group and the Relevant Supplier had entered into a termination agreement (the "**Termination Agreement**") to terminate the Procurement Agreement and to settle the outstanding amount under the Procurement Agreement through negotiation. Pursuant to the Termination Agreement, our Group shall pay a further sum of EUR2,353,063 (equivalent to approximately RMB17.8 million) to the Relevant Supplier as settlement (the "**Settlement**") and that the Procurement Deposit paid will not be returned to our Group. The Settlement had been paid by our Group to the Relevant Supplier on May 16, 2023.

Our Directors are of the view that the Termination and the Settlement are in the interests our Group and the shareholders as a whole, given that (i) the interest payment for the outstanding payment to the Relevant Supplier and the storage fees for the equipment supplied by the Relevant Supplier were increasing on a daily basis; (ii) our Group had assessed the potential legal risks that it would encounter if the project continues to be in halt; (iii) as advised by the Australia Legal Advisors, our Group would not be liable for any penalty under the Australia Project Contract for the Termination; and (iv) the Settlement would not have a material adverse effect on the operation and financial position of our Group as the contract amount of the Australia Project does not represent a significant amount of our Group's revenue and our Group had a sustainable pipeline of projects and furthermore, the Settlement represent approximately 0.1% of our total revenue for the year ended December 31, 2022. Furthermore, the Termination will not have a material impact on the operation and financial position of our Group as the contract sum of RMB1,060.5 million only represented an immaterial portion of our amount of backlog as at the Latest Practicable Date.

Our Group had made a provision in the amount of approximately RMB10.4 million, for the year ended December 31, 2022. Details of which is set out in the section headed "Financial Information – Comparison of Results of Operations – Year ended December 31, 2021 Compared to year ended December 31, 2022 – Administrative and other operating expenses" in this prospectus. In forming the amount of the provision, our Company had taken into account the following factors: (i) the maximum liability of liquidated damages for delayed payment as stipulated in the Australia Procurement Agreement; (ii) the interest rate for the outstanding sum (based on the interest rate as claimed by Relevant Supplier); and (iii) the storage fees for the equipment supplied by Relevant Supplier. For the years ended December 31, 2020, 2021 and 2022, our Group had incurred cost in the amount of RMB3.3 million, RMB1.2 million and RMB2.5 million, respectively, for the Australia Project. Our Group had recorded prepayment of RMB6.9 million and RMB6.9 million as of each of December 31, 2021 and 2022, respectively, which represents prepayment made to the Relevant Supplier during the year ended December 31, 2021. Save as the aforementioned prepayment to the Relevant Supplier, there were no other prepayments nor commitments to other suppliers under the Australia Project.

On the other hand, our Group has entered into a termination agreement with the relevant supplier of the Australia Project on May 16, 2023, and accordingly, we have recognized an amount of approximately RMB7.4 million on the settlement amount in respect of the dispute arising from the termination on the Procurement Agreement with the Relevant Supplier; and written off during the six months ended June 30, 2023 the prepayment we made to the relevant supplier for the procurement of inverters under the Australia Project in the amount of approximately RMB6.9 million to the consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2023.

Nevertheless, the Company is of the view that the provision for contract delayed payment of RMB10.4 million made during the year ended December 31, 2022 and the written off of payment for termination on the Procurement Agreement of RMB7.4 million during six months ended June 30, 2023 would not have a material adverse effect on the operation and financial position of the Group.

Save as the Settlement with the Relevant Supplier, our Group did not have any other outstanding obligations with other parties in relation to the Australia Project as of the Latest Practicable Date.

BACKLOG AND NEW CONTRACT VALUE

Backlog

Backlog refers to our estimate of the contract value of work that remains to be completed as of a certain date subject to price adjustments and fluctuation in cost of materials and labor costs. The contract value represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms.

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

	December 31,						For the six months ended June 30,		After Track Record Period and up to the Latest Practicable Date	
	2020		2021		2022		2023			
	Number of projects	*RMB'000*	*Number of projects*	*RMB'000*	*Number of projects*	*RMB'000*	*Number of projects*	*RMB'000*	*Number of projects*	*RMB'000*
Opening number of projects/Opening value of backlog as of the beginning of the relevant year/period	825	21,014,989	993	22,786,814	946	32,280,212	798	38,397,705	861	37,759,959
Add: new projects secured/newly signed contract value *(excluding value-added tax)*	331	15,468,907	274	21,683,235	218	22,408,769	150	7,918,824	97	5,324,817
Add: (adjustment)/variation orders		290,304		(19,283)		665,315		62,674		13,088
Less: project cancellation	22	4,565,681	–	–	11	5,377,799	8	3,999,647	6	1,802,142
Less: projects completed/revenue recognized	141	9,421,705	321	12,170,554	355	11,578,792	79	4,619,597	30	2,947,935
Ending backlog as of the end of the relevant year/period	**993**	**22,786,814**	**946**	**32,280,212**	**798**	**38,397,705**	**861**	**37,759,959**	**922**	**38,347,787**

Analyzed by project types:					
EPC projects*(Note)*	22,269,249	31,835,663	36,922,384	36,471,211	37,122,591
PPP projects	517,565	444,549	1,475,321	1,288,748	1,225,196
	22,786,814	32,280,212	38,397,705	37,759,959	38,347,787

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

	As of December 31, 2020	As of December 31, 2021	As of December 31, 2022	As of June 30, 2023	After Track Record Period and up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed by principal business activities:					
Specialized industrial construction	15,245,338	20,595,809	28,602,146	29,163,499	29,341,421
Specialized auxiliary construction	4,776,301	6,537,213	4,959,936	5,018,781	5,841,662
Other construction	2,765,175	5,147,190	4,835,623	3,577,679	3,164,704
	22,786,814	32,280,212	38,397,705	37,759,959	38,347,787

The newly signed contract value increased from approximately RMB15,468.9 million for the year ended December 31, 2020 to approximately RMB21,683.2 million for the year ended December 31, 2021, and increased to approximately RMB22,408.8 million for the year ended December 31, 2022. For the six months ended June 30, 2023, we have newly signed contract value amounting to RMB7,918.8 million.

The increase in newly signed contract value from 2020 to 2021 was mainly driven by (i) the increase in the number of newly signed contract of specialized auxiliary construction from 76 projects in 2020 to 94 projects in 2021, such as the comprehensive energy utilization project of Shanxi Transformation and Comprehensive Reform Demonstration Zone with a contract value of RMB854.2 million, and the solid waste disposal site project in Inner Mongolia with a contract value of RMB183.0 million; and (ii) the increase in the number of newly signed contract of other construction from 13 projects in 2020 to 24 projects in 2021, such as EPC general contracting of an industrial park project in Yuncheng Economic and Technological Development Zone with a contract value of RMB1,500.0 million and construction of a car trade centre in Yichang (宜昌北汽貿城) with a contract value of RMB540.0 million; whereas the increase in newly signed contracts from 2021 to 2022 was mainly driven by the increase in the number of newly signed contracts of specialized industrial construction, such as 200MW Wind Power Phase II Project in Gujiao county with a contract value of RMB1,285.0 million (古交正溝200MW風電二期總承包項目) and Wind Power Project in Guangdong (廣東粵西風電項目及其配建工程EPC工程總承包) with a contract value of RMB2,195.4 million.

Our customers may request additional, reduction or alteration of works beyond the scope of the initial construction contract during project implementation by placing variation orders with us. The aggregate amount of revenue that we are able to derive from a project may be different from the original construction contract sum specified in the relevant contract due to variation orders placed by our customers. For the year ended December 31, 2020, the variation orders amounted to approximately RMB290.3 million. For the year ended December 31, 2021, we had an adjustment of approximately RMB19.3 million. During the year ended December 31, 2021, the adjustment of RMB19.3 million was primarily attributable to the variation orders in three of our projects, namely: (i) the reduction in contract value of a cogeneration heat supply project in Gaoping city (科興高平市利用餘熱供熱項目) in the sum of RMB9.1 million due to adjustment in completion audit; and (ii) the reduction in contract value of the Heshun 200,000 kW Wind Power Project (和順縣20萬千瓦風電項目) in the sum of RMB32.7 million as a result of adjustment made during completion audit; which was partially offset by the increase in contract value of the Lvliang Square project (呂梁廣場項目) in the sum of RMB27.3 million. For the year ended December 31, 2022, the variation orders amounted to approximately RMB665.3 million. Our variation orders mainly comprise adjustment of the specification and price of raw material and machinery, contract terms and construction plan. As the project cycle of construction works generally cover a time span of a few years, the costs of construction may vary over time due to the fluctuation in raw materials prices, change in construction plans and/or the additional costs incurred. It is therefore, and as confirmed by our Directors that, the industry practice to review and revise the contract terms from time to time during the lifespan of a construction project, thereby accommodating to the actual needs and change in circumstances throughout the construction process. During the year ended December 31, 2022, the significant value of variation order recorded was primarily arising from the variation order in the sum of RMB447.9 million in the 200MW Wind Power Phase II Project in Gujiao County (古交正溝200MW風電二期總承包項目) (i.e. Project SIC-37) due to change of specification and increase in the number of installation parts; and the variation order in the sum of RMB133.6 million in a standardized workshop engineering project in Jinzhong (i.e. Project SAC-17) due to adjustment of the contract terms and conditions. For the six months ended June 30, 2023, we had variation order in the amount of RMB62.7 million. The variation orders amounted to approximately RMB290.3 million recorded for the years ended December 31, 2020 was completed and fully recognized as revenue in the respective years. The variation orders amounted to approximately RMB665.3 million for the year ended December 31, 2022 were partially completed, during which 84.3% was recognized as revenue for the year ended December 31, 2022.

As of the Latest Practicable Date, the average lifespan of projects in our backlog was 3.3 years. For the three years ended December 31, 2022, six months ended June 30, 2023 and from July 1, 2023 to the Latest Practicable Date, the Group had 22, nil, 11, eight and six projects cancelled, which were mainly due to external factors, such as the lack of funding on the part of the customers or investors or the change in design subsequent to the entering into of the contracts. Pursuant to the cancellation agreements entered into between the Group and the relevant parties and/or as advised by the Group's legal advisers, the parties are released from all obligations from the construction contracts, including any rights to claim, and hence no legal action was taken by the Company in relation to the cancellation of the contracts. For contracts that had commenced construction, the Group would discuss with the counterparty prior to entering into the relevant cancellation agreement, and ensure that all cost incurred shall be recovered. The aggregate sum of the contract value of such cancelled projects amounted to RMB15,745.2 million. No costs had been incurred on these cancelled projects as these projects were cancelled at a preliminary stage where no construction works have been carried out. Furthermore, the Group had 13 projects, with an aggregate contract value of RMB1,937.2 million, which had experienced delay (i.e. delay of more than 12 months from the original completion date as stated in the original contract) during the Track Record Period. Reasons of such delays were mainly due to external factors such as lack of funding on the part of the customers and issues with the subject land which the projects are situated on.

Our capital expenditure and commitments in relation to our backlog projects as of the dates indicated, are set forth below:

	For the year ended December 31,			For the six months ended June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure for backlog projects	22,073	130,807	33,921	6,169
Commitments for backlog projects	46,965	31,005	30,200	39,626

We intend to finance the commitment of the construction projects in our backlog primarily from customer progress payments, cash and cash equivalents and bank borrowings. For details, please refer to "Business Sustainability – Cashflow Management" in this section.

RESEARCH AND DEVELOPMENT

Research and development of our technology is crucial to our operation and business expansion. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our research and development costs were approximately RMB427.3 million, RMB562.0 million, RMB678.7 million and RMB185.3 million, respectively. Our research and development focuses primarily on technological development, construction application and project management.

We have been dedicated to research and development in construction technologies and applying best industry practices. Below is a summary of our key efforts:

- We have established the BIM Information Technology Research Institute, with its focus on the "four-in-one" industry chain ("四位一體"產業鏈) and strive to achieve in-depth integration of informatization and BIM technology with operations of the Company, and build the "Five Ones" project ("五個一"工程) (namely: an enterprise data cloud platform, a set of data standard governance system, a big data intelligent operation center, and a collaborative control platform for the whole industry chain, a quality information development, operation and maintenance team), aiming to form four capabilities to help the Company's digital transformation and build a digital ecosystem of Shan'an. We continue to explore new businesses with cutting-edge technologies and strive to forging ourselves as a "state-famous and industry-leading" full-life-cycle BIM technology consulting service provider.

- We vigorously promoted the in-depth integration of informatization and construction industrialization, and increased research efforts for BIM technology in basic applications such as visual construction simulation, construction organization optimization, safety education, and prefabricated construction and smart construction sites.

- We strengthened our efforts in technological research in areas such as design and construction of new energy, pharmaceutical and chemical, municipal and public utilities projects.

- We adopt improving the whole industry chain "four-in-one" technological management system and enhancing our professional technological capacity as our main guideline.

- We strengthened our research on photovoltaic, wind power and energy storage technologies with a new energy design institute as our platform.

- In the process of construction implementation, through technical research, summarization and extraction, we have formed a number of products, such as prefabricated composite panels, prefabricated composite beams, prefabricated stairs, prefabricated sandwich wall panels, prefabricated air conditioning panels, prefabricated interior and exterior wall panels, prefabricated integrated pipe corridors, various light and heavy steel structural components, prefabricated container room, standardized facilities, wind power tower, steel formwork and die, providing technical support for prefabricated construction business.

We enhanced our efforts in making breakthroughs in the key technologies in key fields and projects, and developed integrated energy utilization technologies such as the following projects:

- The Taigu Heat Supply Resource Project, which was invested, constructed and operated by us, has adopted low-level energy grading heating technology, Internet of Things smart heating technology and absorption heat exchange technology. This is the largest single heating source project in Asia with a heating area of 76 million square meters. Professor Jiang Yi, an academian of the Chinese Academy of Engineering, highly praised that the project "pioneered in the history of heating and was an exemplar". Leveraging on the mature experience in the Taigu Heating Supply Project, in recent years, we have successively invested in the construction of multiple urban clean heating projects, including Liulin Heating and Yuncheng Heating, achieving remarkable economic and social benefits.

- We also strove to create a new standard for digital transformation. We accumulated experience in digitalization of the whole life cycle of construction industry chain from digital design, factory-based production, prefabricated construction, collaborative management, digital delivery to intelligent operation and maintenance by establishing demonstration projects of whole life cycle application of BIM technology, such as Shanghai Metro Line 14 Project (上海軌道交通14號線), the Conference and Exhibition Centre of "Xiaohe New City" in Shanxi province and Taiyuan Wusu International Airport Command, and strengthened the promotion and application of BIM collaboration platform and digital delivery platform.

- Application and research for technologies including photovoltaic, energy storage, direct current and flexibility ("**PEDF**"), medium-deep geothermal and shallow geothermal energy in the Conference and Exhibition Centre of "Xiaohe New City".

- We took the opportunity arising from the construction of the 2×350MW power generation project of Shanxi Coking Coal Group in Hequ to make breakthroughs in key technologies such as installation and commissioning and complete start-up of supercritical boilers and direct air-cooled generator sets.

- We concentrated our resources on the construction of the styrene refining plant, which will produce 800,000 tons/year, of SINOPEC Guangdong, achieving breakthroughs in core technologies as special material welding, large equipment lifting, and process package pressure testing, and forming a number of technological achievements comprising work methods, standards, and patents, which enhanced our influence in the industry, and accelerated the transformation of technological achievements into profits and returns.

- We have accelerated the establishment of the Group's big data intelligent management and operation center based on the engineering monitoring center, operation monitoring center, emergency reporting center and environmental awareness center.

- We took advantage of the talent training expertise of our BIM Training Center to increase our efforts in the training of our reserve technical talents in fields such as techniques, quality, science and technology, and BIM, continuously promoting the construction of our talent echelon and consolidating our expert teams at all levels.

- Through the construction and operation of more than 20 waste incineration power generation projects across the country, we have mastered the core technology of waste incineration power generation and accumulated rich management experience. We have summarized the application of BIM technology in the project and also formed a set of effective management methods and technical summary.

- We have carried out subway construction and operation and maintenance services in Shanghai, Hangzhou, Qingdao, Hefei, Beijing, Guangzhou, Shenzhen, Suzhou and other cities, and have cultivated construction and operation technical service strengths.

- The industrial installation capacities are mainly reflected in the ability of welding of pipelines and the lifting process of large and ultra-high tonnage equipment, and we have been a national industry leader in such aspects.

We have established an enterprise technology center, which was accredited as a provincial-level enterprise technology center in 2014, and has been recognized for many times. The center has a number of external cooperation experts and internal experts.

We lead or participate in research projects aimed at developing construction process methodologies. As of June 30, 2023, four of our construction methods were accredited as national-level construction methods, including:

(i) the construction method of carbon baking furnace masonry engineering;

(ii) the construction method of 300kA pre baked anode electrolytic cell shell and metal structure fabrication and installation;

(iii) the construction method of double-sided color steel composite air duct;

(iv) the construction method of cultural stone facing of building external wall composite wall inclined wall.

Our research and development achievements have received the following recognitions:

- Our Technology for Renovation and Implementation of Combined Heat Supply with Multiple Pure Condensing Generating Units was granted the Second Prize of Science and Technology Advancement Award by the China Construction Enterprise Management Association (中國施工企業管理協會).

- Our Research and Application of Technology for Installation of Large-diameter Long-distance Heat Supply Pipelines in Complex Terrain was granted the Third Prize of Technological Advancement Award by China Installation Association (中國安裝協會).

- Our Research and Development of the Multi-energy Complementary Natural Gas Distributed Energy System, a key research and development program project of Shanxi Province, passed the acceptance test by Shanxi Provincial Department of Housing and Urban-Rural Development.

Our eight achievements, including the Technology for Renovation and Implementation of Combined Heat Supply with Multiple Pure Condensing Generating Units, Research on Application of Aggregate Recycled and Mixed from Construction Waste for Road Surface Gravel Base, Research on Key Construction Technology for Large Span Circular and Spherical Grid Structure, and Key Construction Technology for Large Dual-Pump Electromechanical Assembly Construction Technique, passed the assessment of the authorities, with four achievements rated as national-leading, two results as national-advanced (Research on Application of Rod Bundle Joint Weld Trimming Integrated Machine and Fabricating Steel Support for Deep Foundation Pit and Vacuum Tube Well Precipitation Comprehensive Utilisation Construction Technology), one result as industry-leading (Research and Application of Slope Finding Method for "Pot-shaped" Concrete Bottom and Specialized Tool), and one result as provincial-leading (Research and Application of Key Construction Technology of Wind and Power Project in Complex Terrain in Mountains). Moreover, three of our achievements, namely the Research and Application of BIM + AIoT Construction Control Platform, A Pot Bottom-shaped Slope Finding Tool and Research and Application of Intelligent Fire Monitoring Cloud Platform, were granted the Micro-innovation Technology Award by the China Construction Enterprise Management Association.

We collaborated with famous universities, various research institutions and other construction companies in China to develop technologies and construction methods. We cooperated with Taiyuan University of Technology in depth to conduct research and development activities on "multi-energy complementary natural gas distributed energy system research" and "high capacity gradient heat pump heating technology"; conducted technical research with Zhejiang University on the projects of "underground comprehensive pipe gallery project" and "research on theory and application of new fan foundation design".

We are collaborating with Tsinghua University and experts from China Energy Engineering Group Anhui Electric Power Design Institute Co., Ltd. (中國能源建設集團安徽省電力設計院有限公司) to jointly design and plan the comprehensive energy project of the Conference and Exhibition Center of "Xiaohe New City" of Shanxi Province and put forward a comprehensive and intelligent energy planning scheme.

We are committed to green construction, using processes that are environmentally friendly and resource-efficient. A number of our projects have been named national green construction model projects.

Business Sustainability

We recorded a decrease in net profit and net profit margin from December 31, 2020 to December 31, 2021 and six months ended June 30, 2023 as compared with that of in 2022. Our net current assets decreased from RMB69.6 million as of December 31, 2022 to a net current liabilities of RMB357.2 million as of June 30, 2023. Notwithstanding such financial performance, the Directors are of the view that our business is sustainable and we have taken the measures to ensure our business sustainability, which is substantiated by the fact that our net profit margin for the year ended December 31, 2022 has recorded a slight increase.

Continue to Focus on Quality Projects/Opportunities

Our net profit decreased from approximately RMB282.2 million for the year ended December 31, 2020 to approximately RMB200.4 million for the year ended December 31, 2022, whereby our net profit margin decreased from 2.8% for the year ended December 31, 2020 to 1.6% for the year ended December 31, 2022. Such result was mainly attributable to our decreasing other income and gains and increasing administrative expenses and finance costs. Our net profit decreased from RMB136.2 million for the six months ended June 30, 2022 to RMB110.2 million for the six months ended June 30, 2023, whereby our net profit margin decreased from 2.4% to 2.1% for the respective period. Such result was mainly attributable to increase in provision for expected credit losses on financial assets.

We seek to continue to engage in quality infrastructure and new energy projects/opportunities in regions/areas which are established/fast-growing. With our concept of "Design Consultation, Investment, Construction, Operation and Maintenance" to form the "four in one" industrial chain, we seek to continue to cover municipal and public, petrochemical, power, metallurgy, electromechanical installation, rail transit and other industries, while focusing on emerging fields such as new energy. In addition, we will continue to invest and engage in projects with the operation model integrating investment, construction and operation, for example PPP projects, with an emphasis on projects with good expected return.

We seek to secure quality private sector projects. As confirmed by Frost & Sullivan, the private sector is trending towards the operation model that integrates investment, construction and operation. Private entities seek to cooperate with other private entities in investing in and building privately-owned facilities and generate profit through the operation of such facilities. In particular, for projects which requires substantial upfront capital input such as new energy projects, such operation model has become increasingly popular among industry players. Industry players specializing in different stages along the value chain seek to cooperate, to establish a joint venture which holds the relevant project facility and utilize the synergistic effect of such cooperation through pooling of resources for the construction of the facilities. For instance, enterprises that specializes in production of construction materials may supply the raw materials required for the construction, while construction companies with qualifications to undertake EPC contract may undertake to coordinate the construction project. After the construction of the facility is completed, the project company may generate income through operating the constructed facility, for example through sales of electricity generated by a wind power farm. Also, as equity owners of the project company, enterprises may generate investment income. We seek for market opportunities through the aforementioned operation model and will seek to further cultivate our new energy segment business through this model.

As disclosed in the table setting out the accumulated gross profit margins of our PPP projects of this section, the overall profit margin of PPP projects are relatively higher than that of EPC projects, as the gross profit margins of PPP projects during the operation period is generally higher than that of the construction stage as less cost is incurred during the operation period of the projects. After completion of the construction stage of PPP projects, we will usually be granted a right to operate the publicly-owned assets constructed by us for a specific operation period ranging from 10 to 29 years. In light of this, undertaking PPP projects would guarantee a better rate of return in the long run. Our gross profit derived from PPP projects for the three years ended December 31, 2022 and the six months ended June 30, 2023 were respectively RMB359.3 million, RMB257.7 million, RMB249.0 million and RMB127.6 million, which accounted for approximately 25.2%, 14.7%, 13.5% and 16.2% of the total gross profit of our Group for the respective year. During the year ended December 31, 2022, we have concluded the construction stage of two PPP projects, namely the PPP project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County and the Meixing Theater portion of the PPP Project of Swimming Pool and Meixing Theatre of Qinshui County in Jincheng City, Shanxi, which has caused a temporary decrease in our revenue generated from construction of PPP projects during the year ended December 31, 2022.

On the other hand, it is expected that the construction stage of one of our on-going PPP projects will wrap up in 2023 (i.e. the PPP Project for Small Water Network Ancillary Works in Jiexiu City) and is expected to enter operation stage. We have been actively seeking appropriate opportunities to undertake further PPP projects. In late 2022, we have entered into the agreement with the relevant government authority for the PPP Project of Urban Flood Control and Drainage and Comprehensive Treatment of Ecological Environment in Zhangzi County, Changzhi City and we also intend to commence the construction of the PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone in 2023.

Accordingly, we expect the commencement of these PPP projects, which have a higher gross profit margin than EPC projects, will further contribute to our revenue and gross profit positively, and we expect our gross profit margin will further improve when more of our existing PPP projects enter into operation stage as the historical gross profit margin of operation stage of our PPP projects were generally higher. Furthermore, as the effects of the pandemic eases, we do not expect to experience any material adverse impact caused by the containment policies of the PRC government.

In terms of new projects, based on our experience and resources accumulated in the new energy field, we conduct in-depth research, judgment and careful selection of favorable projects, enhance project management platform and strengthen cost control, thus we are able to target and secure new energy projects with higher gross profit margin, including in the pipeline over 10 new energy projects (including various wind power projects) with expected contracted gross profit margins that are higher than our average gross profit margin for new energy projects during the Track Record Period. Such new energy projects of contract sums ranging from approximately RMB12.1 million to approximately RMB779.8 million, have all commenced construction.

A good understanding of our end customer's background is also key to identifying quality projects/opportunities. Such preparation covers the financial condition of our end customer, particularly on their ability to meet financial obligations (i.e. payment for relevant construction services to us), and we also keep track of end customer's potential legal disputes (including but not limited fraudulent cases) and/or on-going legal cases to ensure our end customers are financially sound and has the ability to settle our fees.

Enhance our Success Bidding Rate/Secure Sufficient Quality Projects

During the Track Record Period, our overall tender success rate ranged from 47.0% to 57.7%, which falls within the industry average as advised by Frost & Sullivan. Notwithstanding attaining such tender success rate during the Track Record Period, our Group intend to further enhance our bidding ability to broaden our revenue base.

To enhance our tender success rate, we continued to strengthen our employees, (across departments, and including but not limited to sales personnel) understanding of our customer's needs so that our bids will be tailor-made in accordance with the relevant end customer's requirement. We also seek to enhance the quality of our bid documents. To reach such target, we implemented review procedures that target relevant end customer's focal bid points. At the same time, we prepared template bid documents that covers relevant provisions to reduce the occurrence of failed bids. Please see "– Backlog and New Contract Value" for details of our new projects.

Cost Control Measures

Our administrative and other operating expenses for the three years ended December 31, 2022 has been increasing and amounted to approximately RMB846.2 million, RMB1,097.8 million, RMB1,190.9 million, respectively. The increase in such expenses was mainly attributable to the increase in our research and development cost. The research and development costs of our Group has been constantly increasing throughout during the three years ended December 31, 2022, which the research and development costs raised from RMB427.3 million for the year ended December 31, 2020 to RMB562.0 million for the year ended December 31, 2021, and further increased to RMB678.7 million for the year ended December 31, 2022, representing a year-on-year growth rate of 31.5% and 20.8% respectively.

For the six months ended June 30, 2023, with our effective cost control measures, our administrative and other operating expenses amounted to RMB452.1 million, a decrease of 5.6% compared with the corresponding period in 2022. Our research and development costs amounted to RMB185.3 million for the six months ended June 30, 2023, a 29.3% decrease compared with the corresponding period in 2022. Our decrease in research and development costs for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 was due to a reduction of R&D projects from 222 projects as of December 31 2022 to 205 projects in June 30, 2023, as well as costs control applied on each research and development projects. We have carried out internal review to enhance the efficiency of utilization of human resources and apply control to check against over-spending on research and development consumables and other miscellaneous expenses. Our employee benefits expenses increased from RMB240.4 million for the year ended December 31, 2020 to RMB322.1 million for the year ended December 31, 2021, representing a year-on-year growth rate of 34.0%. For the six months ended June 30, 2023, our employee benefits expenses amounted to RMB168.3 million, representing an increase of 20.4% when comparing with the corresponding period in 2022. The Company is of the view that the reason behind the decrease in our net profit was that more resources were allocated for and invested in the future development of the Company, and the Directors are of the view that such resources allocation will help to enhance the competitiveness of the Company in the long run through optimizing the quality of its products and services, thus is favourable to enhancing the sustainability of the Group's business. As the Company's strength and prospect lies in the active research and development of construction services, our continuous commitment in research and development will contribute to the betterment of our technical expertise in our major business.

As disclosed in the section headed "Business – Research and Development", research and development is crucial to our business and operation and to keep us competitive. We dedicated our research and development in developing and refining the technologies employed in our construction process, in particular the application of information technology in the course of construction process, thereby to enhance construction efficiency and quality. With such initiatives, we aim to retain existing customers and attract new customers through meeting their expectation for us as service provider, improving our service quality as well as increasing our productivity and competitiveness in the market. Furthermore, we are committed to green construction, using processes that are environmentally friendly and resource-efficient in our construction process. We also dedicate research effort in developing construction technology to minimize the environmental impact of our constructions. We believe that our commitment to green construction not only will help fulfilling our social corporate responsibility and enhancing our brand image, but also attract more customers who are committed to environmental protection with growing environmental awareness. On the other hand, our successful implementation of construction projects also requires personnel with experience and ability, particularly in project management and design, and thus our employee benefit is the key for retaining and rewarding our experienced employees. Our employee benefits expenses increased from RMB240.4 million for the year ended December 31, 2020 to RMB322.1 million for the year ended December 31, 2021, representing a year-on-year growth rate of 34.0%. Our track record is largely attributable to the effort of our employees and we believe improving employees benefit will help retaining talents, garner sense of belongings of our employees, thereby motivating our employees in daily course of work, thus to increase productivity and quality of work and enhance our competitiveness. For further details of our financial results, please see "Financial Information" section.

Our finance costs also increased materially from RMB293.8 million in 2020 to RMB397.2 million in 2022, representing a growth of 35.2% during such period. The increase was mainly attributable to the increased interest rate in 2021, and the addition of financial charge on factoring in 2022. On the other hand, some of our projects required capital investment in stages, and project financing obtained by us from various financial institution continues to increase, resulting in an increase in the amount of our borrowings and interest expenses. Such loans can largely be divided into long-term, which are generally applied to support our PPP projects, and short-term borrowings, which are typically applied to non-PPP projects. To manage our finance costs, we seek to substitute/replace borrowings of higher cost with that of relatively lower cost by monitoring such cost and to take relevant actions in a prompt manner. As a result of our finance costs management, our finance costs has decreased by 8.4% from RMB195.7 million for the six months ended June 30, 2022 to RMB179.2 million for the six months ended June 30, 2023. In that respect, after the Track Record Period, we constantly aim obtain loans which had a lower interest rate than those obtained during the Track Record Period.

Cost control is an important pillar to ensuring our business sustainability, and we take the following measures to manage our cost in the current volatile environment.

i. We have established a cost control management system that delineates the cost management responsibilities cross-departments and amongst the management roles. Such system includes cost management measures, settlement procedures amongst fine/rewards measures to enhance our cost control end goal.

ii. Adopt early alerts at various stages of our projects to ensure that various costs, including design, construction, management, equipment costs are within acceptable ranges of our budgeted amount, and to review such data regularly.

iii. For materials procured in bulk/large volume, we ensure that such materials are bought at competitive prices, and we assembled a list of quality suppliers to ensure we have access to good quality to price products. We procured certain raw materials from SCIG Group during the Track Record Period and we shall continue to purchase from SCIG Group after the Listing. For details of the purchase, please refer to section headed "Continuing Connected Transactions – Non-exempt Continuing Connected Transactions – Raw Materials Procurement Framework Agreement". In light of these procurement, we will be able to ensure that the terms are no less favourable than terms available from Independent Third Parties. As such, we can ensure we will procure raw materials with competitive price.

Other Protection Measures

We have commenced exploration and trial application of BIM technology since 1995 and formally started the application of the BIM system in 2015, we seek to reduce construction materials and shorten our construction period. In different stages, our BIM system serves various functions, including but not limited to, providing accurate information on geographic environment for our estimation of construction costs and materials, providing comprehensive checking to avoid structural collision during construction, facilitating large equipment and component installation such as lifting, sliding and hoisting. These can contribute to the reduction of redundancy and waste of construction materials and construction period. Such measures will also enhance our cost management and improve our profitability. In addition, prior to entering into contracts, we formulated basic price adjustment terms to ensure material cost, labor costs and other price adjustment terms are reasonable. Also, in the course of construction, we conduct a comprehensive inventory and utilization analysis to ensure that the accrued items are fully included, and reasonable profits of contracts are realized. We have also developed an incentive mechanism for engineering verification and timely adjustment (as required) to fully mobilize our business staff to account for timely changes to ensure our profitability. As confirmed by Frost & Sullivan, the cost of construction is highly sensitive to the time of implementation of certain construction works, a slight delay in construction progress may generally result in significant increase in our cost. Our Directors are of the view that the implementation of the incentive mechanism helps to motivate our employees to identify potential delays in our construction progress and to rectify the relevant problem or adopt emergency action plans to minimise the additional cost incurred brought by the impact of delay, thereby help to avoid unnecessary waste of costs and resources and improve our profitability.

Cashflow Management

Cashflow management is essential to our operation. We require an ample amount of working capital to run our daily operations and fund our payment obligations from time to time. Our monthly operating expenses primarily comprise of subcontracting cost, cost of materials, finance costs, staff costs and administrative expenses. It is crucial for us to fulfil our payment obligations, in particular payments to our workers, suppliers, subcontractors and lenders. During the Track Record Period and up to the Latest Practicable Date, we experienced delay in payment from relevant counterparties which had an effect on our operation and our financial position. To meet our cashflow needs and to continue to enhance the management of our finance costs, we also intend to apply approximately 80% of our net proceeds to finance our designated projects.

Also, in line with industry practice, we generally have a net cash outflow at the early stage of a project and a net cash inflow at the completion stage of the project. Depending on the nature, scope and complexity of the projects to be undertaken, we generally have to incur significant initial costs. In light of this, we may experience potential time lags between making payments to our suppliers and subcontractors and receiving payments from our customers, resulting in possible cash flow mismatch. Our bank borrowings and gearing ratio increased during the Track Record Period as we required capital to support our expanding business/operation. For the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023, our interest-bearing bank and other borrowings amounted to RMB3,102.6 million, RMB4,264.2 million, RMB5,398.9 million and RMB6,199.0 million, respectively and our gearing ratio as of each of December 31, 2020, 2021 and 2022 and June 30, 2023 were 173.9%, 211.7%, 241.8% and 271.9%, respectively. Accordingly, it is essential for us to carefully and prudently maintain a healthy buffer and strong liquidity position at all times to ensure our smooth business operations, maintain our reputation in the industry and allow us to capture potential business opportunities from time to time. We adopt the following measures since the commencement of the second half of 2022 to further enhance our cashflow management.

i. In terms of capital needs, we continued to strengthen overall budgetary management, and control expenditures in fixed assets investment, equity investment and infrastructure investment in a targeted manner. We track the payment requirements for new projects, fulfillment of projects under construction, finished projects and completed but unsettled projects, and strictly control the adjustment of deviation from budget. We arrange timely fund-raising to manage fund-raising activity in a balanced, stable and efficient way, and developed repayment plan 6 months ahead of relevant repayment schedule.

ii. In terms of fund supply, we continued to improve capital recovery and management to increase capital turnover efficiency and reduce bad debt losses. We keep a close eye on the management of trade receivables monthly and will further enhance and strengthen our effort on monitoring and collecting receivables. In particular, we have a team of personnel specialising in and responsible for the confirmation, reconciliation and recovery of trade receivables and follow up on the payment status of trade receivables due from customers. During the three years ended December 31, 2022, we have collected RMB787.8 million, RMB861.1 million and RMB924.7 million on trade receivables respectively. With our enhanced efforts in collection of trade receivables and bills receivables, the carrying balance of our trade receivables and bills receivables decreased from RMB6,371.4 million as of December 31, 2022 to RMB6,188.4 million as of June 30, 2023. To further enhance our capital turnover efficiency and reduce the risk of bad debt losses, our Group has further introduced measures such as engaging third party debt collectors, resorting to legal proceedings, if necessary, in order to recover long overdue trade receivables. We carried out fund recovery management by upholding the principle of controlling new receivables, reducing existing receivables, speeding up settlement and collection. We conduct fund warning investigation 6 months ahead of schedule, fund arrangement 3 months ahead of schedule and fund allocation 1 month ahead of schedule. Whenever insufficient cash flow is detected, the equity management system (accounts receivable monitoring system) will be triggered, which will carry out fund monitoring on the project side to strengthen the fund recovery of accounts receivables and initiate fund-raising business. Since adopting such measures, during the Track Record Period and up to the Latest Practicable Date, such equity management system had not been triggered due to insufficient cash. We continue to expand the scope of cooperation with financial institutions, improved the optimal usage of financial products, and launched a financial product management model combining direct financing and indirect financing. We selected low-cost supply chain products and equity financing products while managing the gearing ratio as much as possible and established a cooperation model of "upstream and downstream + bank-enterprise interconnection" for mutual benefit in a bid to select and arrange funds.

iii. We have established continuous and long-term cooperative relationships with more than 20 financial institutions such as state-owned banks, joint stock commercial banks and non-bank financial institutions, and plans to increase the total cooperative credit line to RMB10 billion. We also rely on financial products, such as accounts receivable factoring, rapid transaction loan, and leverage on our advantages of capital management to continuously prevent and defuse capital risks and reduce financing cost, reasonably project the receivable and payable credit term and accelerate the capital turnover.

iv. We pay close attention to the payment progress for our projects. For customers/projects whose payment falls behind by a certain threshold, our marketing department would forewarn against approving and undertaking projects with the relevant party. While for projects that have been completed, we share the settlement progress and collectively come up with solutions to enhance the collection of unsettled payments. While for the management of defaults, we target to reduce annual arrears of projects under construction by 50%, and for completed projects we target to reduce the same by 30%.

v. During the Track Record Period, our Group's cash and cash equivalents cycled according to the status of our construction projects. Our Group had a cash and cash equivalents of approximately RMB1,697.1 million as at June 30, 2023.

Based on our operation scale and the costs incurred by us during the Track Record Period, our Directors estimate that currently we have to incur an average monthly costs of sales of approximately RMB942.2 million (taking into account the actual total cost of sales during the Track Record Period and the estimation in the upcoming 12 months), primarily comprising costs of raw material, labour force, machinery and utilization costs, subcontracting costs and others in the upcoming 12 months. Furthermore, we also need to incur an average monthly operating expense of approximately RMB89.6 million (taking into account the actual total cost of administrative and other operating expenses during the Track Record Period and the estimation in the upcoming 12 months), primarily comprising of administrative expenses and other operating expenses for our daily operations in the upcoming 12 months.

Taking into account cash on hand of RMB1,496.0 million as of the Latest Practicable Date, operating income to be received, subsequent settlement rate of trade receivables of 54.8% as of the Latest Practicable Date, unutilized bank borrowing facilities of RMB5,907.2 million as of the Latest Practicable Date, new project loans to be obtained, including the project loans in respect of the two new PPP projects in 2022 (i.e. the PPP project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province and the PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone) with an aggregate investment amount of approximately RMB1,504.3 million, as well as our 97 new projects with total contract sum of RMB5,324.8 million (excluding value-added tax) since June 30, 2023, our Directors are of the view we have sufficient working capital to finance our operations and our Group remain to present a positive outlook and prospect. For details of our newly acquired engaged projects, see "Summary – Recent Development".

vi. During the Track Record Period, we had a number of PPP projects that required us to make significant initial investment using our own cash and external financing during the construction stage of the projects, which created cashflow mismatch as we can only receive payments, after completion of construction phase, and that ten of 14 of such PPP projects has entered into operation stage as of June 30, 2023.

We pay close attention to the management of operational quality, which we believe in turn, lays a solid foundation for the settlement of payment according to schedule. To illustrate, for our PPP projects, we set and charge fee after calculating the expected fully recovery of investments and obtaining reasonable returns. In addition, our PPP projects contracts contain provisions entitling us to receive a stipulated fixed percentage of operating and maintenance service fee in addition to the annual operating costs and guaranteed profit margin. Our long-term borrowings are generally applied to support our PPP projects, while for our short-term borrowings, such loans are typically applied to non-PPP projects. In terms of repayment, our long-term borrowings with repayment schedule of over 10 years can be settled through the service fees generated from our PPP projects during the operational phase, while repayment of our short-term borrowings can be paid through our operating income and refinancing (when applicable). To manage our finance costs, we seek to substitute/replace borrowings of higher cost with that of relatively lower cost and we intend to utilize the cash received under the enhanced accounts receivable policy to better manage our gearing ratio and finance costs.

Our Directors are of the view, and the Joint Sponsors concurs, that based on the aforementioned and the fact that a substantial portion of the Company's borrowings of approximately RMB195 million as of June 30, 2023 are in relation to PPP projects with repayment period of over 10 years, there is sufficient reason to believe that the Company will continue to be able to meet its financial obligations.

LICENSE, PERMITS AND CERTIFICATES

We are subject to laws, regulations, and supervision by different levels of regulatory authorities and are required to maintain various licenses, permits and certificates in order to operate our projects and conduct our business. A summary of such relevant PRC laws and regulations which our business operations are subject to is set out in the section headed "Regulatory Overview" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all the material requisite licenses, qualifications and permits from the relevant regulatory authorities in China, and all of our material licenses, qualifications and permits were valid and subsisting as of the Latest Practicable Date. There are no certificates that are expired or not yet renewed as of the Latest Practicable Date. The Company is of the view that there are no material legal impediments in renewing the licences that will be expiring.

According to the Notice of Matters Regarding the Qualification Certificates of Construction Engineering Enterprises issued by the General Office of the Ministry of Housing and Urban-Rural Development on October 28, 2022, if the qualification certificates issued by the Ministry of Housing and Urban-Rural Development for enterprises engaging in engineering survey, engineering design, construction and engineering supervision expired before December 31, 2023, they will be subject to a unified extension to December 31, 2023. The validity of the above qualifications will be automatically extended on the national public service platform for construction market supervision, enterprises do not need to replace the qualification certificate, and the original qualification certificate can still be used for project bidding and other activities.

The following table sets out details of our material licenses, permits and certificates:

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
1.	Construction Enterprise Qualification Certificate	D114085234	Petrochemical premium grade, municipal public premium grade, four general construction contracting first grade and one specialized contracting first grade	Ministry of Housing and Urban-Rural Development of the PRC	2022/1/11	2023/12/31
2.	Construction Enterprise Qualification Certificate	D214029453	Seven specialized contracting first grade, three general construction contracting secondgrade, three specialized contracting second grade and special engineering for ungraded specialized contracting	Department of Housing and Urban-Rural Development of Shanxi Province	2023/1/9	2023/12/31
3.	Construction Enterprise Qualification Certificate	D231570793	Two general contracting third grade and four specialized contracting first grade, labor subcontracting not being graded for enterprises that have obtained the qualification of construction labor service	Shanghai Housing and Urban-Rural Development Management Committee	2022/3/16	2025/12/28

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
4.	Construction Enterprise Qualification Certificate	D344316678	Two general contracting third grade	Guangzhou Municipal Housing and Urban-Rural Development Bureau	2020/6/10	2024/12/20
5.	Construction Enterprise Qualification Certificate	D314103977	Ungraded premixing concrete specialized contraction	Shanxi Transformation and Comprehensive Reform Demonstration Zone Management Committee	2022/3/16	2026/1/18
6.	Construction Enterprise Qualification Certificate	D244232032	Four specialized contracting first grade	Department of Housing and Urban-Rural Development of Guangdong Province	2022/4/2	2023/12/31
7.	Construction Enterprise Qualification Certificate	D251286824	Two specialized contracting first grade	Department of Housing and Urban-Rural Development of Sichuan Province	2022/7/20	2027/7/20
8.	Filing Certificate for Construction Labor Service of Construction Enterprises (建築業企業施工勞務備案證書)	BA442012223	Ungraded construction labor service qualification	Wuhan Municipal Urban-Rural Development Bureau	2022/9/29	2027/9/28
9.	Engineering Design Qualification Certificate	A114000152	Five class A	Ministry of Housing and Urban-Rural Development of the PRC	2022/1/18	2023/12/31
10.	Engineering Design Qualification Certificate	A214000159	Three class B	Department of Housing and Urban-Rural Development of Shanxi Province	2022/6/29	2023/12/31
11.	Work Safety Permit	(Jin) JZ An Xu Zheng Zi [2011]000172	Construction process	Department of Housing and Urban-Rural Development of Shanxi Province	2023/4/7	2026/4/7

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
12.	Work Safety Permit	(Hu) JZ An Xu Zheng Zi [2017]012231	Construction process	Shanghai Housing and Urban-Rural Development Management Committee	2023/7/17	2026/7/16
13.	Construction Enterprise Qualification Certificate	D242299282	Second Grade Qualifications for General Contracting for Municipal Public Engineering Construction	Department of Housing and Urban-Rural Development of Hubei Province	2023/8/18	2026/8/16
14.	Work Safety Permit	(Yue) JZ An Xu Zheng Zi [2021]225301 Yan	Construction process	Department of Housing and Urban-Rural Development of Guangdong Province	2021/11/26	2024/11/26
15.	Work Safety Permit	(Jin) WH An Xu Zheng Zi No. [2020]049Y1	Liquefied natural gas, heavy hydrocarbon	Shanxi Emergency Management Office	2023/7/10	2026/7/9
16.	Work Safety Permit	(E) JZ An Xu Zheng Zi No. [2023]001970	Construction process	Department of Housing and Urban-Rural Development of Hubei Province	2023/3/9	2026/3/8
17.	Production License of Special Equipment of the PRC	TS3810101-2024	Pressure pipeline installation	State Administration for Market Regulation	2020/12/14	2024/6/16
18.	Production License of Special Equipment of the PRC	TS1814102-2026	Design of pressure pipeline	Shanxi Transformation and Comprehensive Reform Demonstration Zone Management Committee	2022/7/11	2026/8/9

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
19.	Production License of Special Equipment of the PRC	TS3114015-2026	Installation, repair and transformation of pressure special equipment	Shanxi Transformation and Comprehensive Reform Demonstration Zone Management Committee	2021/12/27	2026/1/24
20.	Production License of Special Equipment of the PRC	TS3414009-2025	Installation of cranes, including repair	Shanxi Transformation and Comprehensive Reform Demonstration Zone Management Committee	2021/8/31	2025/8/30
21.	Production License of Special Equipment of the PRC	TS2214003-2025	Pressure vessels manufacturing, including installation, repair and transformation	Shanxi Transformation and Comprehensive Reform Demonstration Zone Management Committee	2021/6/25	2025/6/24
22.	Installation (Repair, Testing) of Electricity Facilities License	1-4-00102-2006	Undertaking installation class B, undertaking repair class C and undertaking testing class B	Shanxi Energy Regulatory Office of National Energy Administration	2022/7/6	2027/7/30
23.	Grade B Credit Qualification Certificate of Engineering Consulting Unit (工程諮詢單位乙級資信證書)	B042022010041	Petrochemical, chemical, pharmaceutical, electricity (including thermal power, hydropower, nuclear power and new energy), municipal public works	Shanxi Construction Consultant Association	2022/12/31	2025/12/30

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
24.	Gas Cylinders Charging License of the PRC	TS4214170-2025	Liquefied natural gas cylinder	Administrative Examination and Approval Service Administration of Linfen City (臨汾市行政審批服務管理局)	2021/9/18	2025/9/17
25.	Filling License for Transportable Pressure Vessel of the PRC	TS914101-2023	Frozen liquefied gas	Shanxi Administration for Market Regulation	2019/12/10	2023/12/9
26.	Hazardous Chemical Registration Certificate	14102200009	Liquefied coalbed methane, n-hexane	Shanxi Disaster Prevention, Mitigation and Support Center (山西省防災減災保障中心), Chemical Registration Center of the Ministry of Emergency Management (應急管理部化學品登記中心)	2022/8/1	2025/9/9
27.	Road Transport Business Permit of the PRC	Jin Jiao Yun Guan Xu Ke Bing Zi No. 14010500 0561	Special transportation for trucks (pot vessels)	Bureau of Administrative Approval Service Administration of Xiaodian District, Taiyuan City (太原市小店區行政 審批服務管理局)	2021/2/22	2025/2/21
28.	Gas Operation License	Jin 202210130030J	Vehicle fueling station	Linfen Administrative Examination and Approval Service Bureau (臨汾市行政審批服務管理局)	2022/9/16	2025/9/15

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
29.	Reply of the Ministry of Commerce on Recognizing the Qualification of Shanxi Installation Group Co., Ltd. as a Main Contractor of External Assistance Complete Projects (商務部關於認定山西省安裝集團有限公司對外援助成套項目總承包企業資格的批覆)	Shang He Pi [2023] No. 80	Qualification of main contractor of external assistance complete projects	Ministry of Commerce of the PRC	2023/3/3	2026/3/2
30.	Construction Engineering Quality Test Organisation Qualification Certificate	Jin Jian Jian Zi No. 301601001	Electromechanical equipment installation class A	Department of Housing and Urban-Rural Development of Shanxi Province	2021/11/16	2024/11/16
31.	Construction Engineering Quality Test Organisation Qualification Certificate	Jin Jian Jian Zi No. 314801228	Premixing concrete	Department of Housing and Urban-Rural Development of Shanxi Province	2020/12/16	2023/12/16
32.	Chemical Plant Demolition Construction Enterprise Safety Service Ability Grade Certificate (化工裝置拆除施工企業安全服務能力等級證書)	2020-SSA-025-R1	Class A	China National Association of Chemical Construction Enterprises, Beijing Zhong Hua Combination Certification Co., Ltd.	–	2024/2/1

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
33.	Power Engineering Commissioning Enterprise Capability Evaluation Grade Certificate (電力工程調試企業能力評價等級證書)	DWTS2022113	Power grid engineering - Fourth grade (電網工程類四級)	China Electric Power Construction Enterprise Association* (中國電力建設企業協會)	–	2025/12/31
34.	Power Engineering Commissioning Enterprise Capability Evaluation Grade Certificate (電力工程調試企業能力評價等級證書)	DYTS2022098	Power supply engineering - Fourth grade (電源工程類四級)	China Electric Power Construction Enterprise Association* (中國電力建設企業協會)	–	2025/12/31
35.	High-risk Sports Program Business License (高危險性體育項目經營許可證)	220002	Open swimming venue	Jinchen Municipal Administrative Examination and Approval Service Bureau (晉城市行政審批服務管理局)	2022/6/8	2027/6/7
36.	Construction Enterprise Qualification Certificate	D261320360	Two general contracting second grade qualification for	Shaanxi Housing and Urban-Rural Development Management Committee (陝西省住房和城鄉建設廳)	2023/10/18	2028/10/17

AWARDS, HONORS AND RECOGNITION

We have won a total number of more than 200 national, ministerial and provincial-level awards in construction contracting so far, including two National Quality Engineering Gold Awards (國家優質工程金獎), two Tien-yow Jeme Civil Engineering Prize of China (中國土木工程詹天佑獎), 14 China Construction Engineering Luban Awards (中國建設工程魯班獎), 11 National Quality Engineering Awards (國家優質工程獎), 21 China Installation Stars (中國安裝之星), 35 Ministry-level Quality Engineering Awards (部級優質工程獎), five Shanghai Magnolia Awards for construction work (上海市建設工程「白玉蘭」獎), and 59 The highest award of prime-quality engineering in Shanxi Province (Fen River Cup) (山西省優質工程最高獎(汾水杯獎)) Awards. Among them, China Construction Project Luban Prize is the highest award for construction projects with quality in China, which is awarded once a year, with no more than 100 construction projects awarded at each event. Tien-yow Jeme Civil Engineering Prize is awarded once a year, with no more than 30 construction projects awarded at each event. According to Frost & Sullivan, the Tien-yow Jeme Civil Engineering Prize, established by the China Civil Engineering Society and the Beijing Zhantianyou Development Foundation for Science and Technology in 1999, is the highest prize for scientific and technological capabilities in the field of civil engineering construction. The construction companies awarded the Tien-yow Jeme Civil Engineering Prize of China (中國土木工程詹天佑獎) are proven to demonstrate their capability in scientific and technological capabilities in the field of civil engineering construction.

The following table sets forth the representative awards and honors we have obtained in recent years:

Honors

2016 Enterprise Excellent in Quality Management in China's Engineering Construction (2016年度全國工程建設質量管理優秀企業)
2016 Brand Enterprise in China's Construction Sector in terms of Overall Strength (2016年度全國建築業綜合實力品牌企業)
2018 AAA Credit Enterprise in China's Construction Enterprises (2018年度全國建築業AAA級信用企業)
2018-2019 Good Safety Advanced Enterprise in Construction Sector in Shanxi Province (2018年-2019年山西省建築安全先進單位)
2020 National Quality Benchmark Construction Enterprise (2020年全國質量標桿建築企業)
2021 Top 10 Backbone Construction Enterprises in Shanxi Province (2021年山西省十強骨幹建築業企業)
2021 19th National Quality Award (2021年第十九屆全國質量獎)
2021 3rd Quality Award of Shanxi Province (2021年第三屆山西質量獎)
2022 ARE-QP Award (2022亞洲質量獎)

Project	Awards
Jingle Hongyi Energy Wind Power Project in Suopo Town (靜樂弘義能源娑婆鄉風電項目)	2023 China Power Quality Engineering (2023年度中國電力優質工程) 2022 Fen River Cup Award (2022年度汾水杯)
Inner Mongolia Yahai 600,000 Tons of Liquid Natural Gas Project Installation Project (內蒙古雅海60萬噸液態天然氣項目安裝工程)	China Installation Stars(中國安裝之星) of 2021-2022 AAAA Grade Project for Chemical Construction Engineering Quality Assessment of 2022 (2022年化學建設工程質量評價AAAA級項目) Quality Engineering Award for Chemical Engineering of 2022 (2022年化學工程優質工程獎)
Domestic Waste Incineration Power Generation Project in Taiyuan Circular Economy and Environmental Sanitation Industry Demonstration Base (太原市循環經濟環衛產業示範基地生活垃圾焚燒發電項目)	National Quality Engineering Award of 2022-2023 (2022-2023年度國家優質工程獎) Municipal Engineering Award of 2022 (2022年度市政工程獎)
Taigu Heat Supply Resource Project (Gujiao Xingneng Power Plant to Taiyuan Heat Supply Main Line and Relay Energy Station Engineering) (太古供熱項目(古交興能電廠至太原供熱主管線及中繼能源站工程))	2020-2021 National Quality Engineering Gold Award (2020-2021年度國家優質工程金獎) 2022 19th Tien-yow Jeme Civil Engineering Prize of China (2022年第十九屆中國土木工程詹天佑獎) 2018-2019 China Construction Engineering Luban Award (2018-2019年度中國建設工程魯班獎) 2017-2018 China Installation Star (2017-2018年度中國安裝之星)
Phase I Engineering for Line 2 under Qingdao Subway (青島市地鐵2號線一期工程)	2020-2021 National Quality Engineering Gold Award (2020-2021年度國家優質工程金獎)
NO.1 Primary Heat Station and Supporting Heat Network Project in Yantai (Heat Station, Office Building and Entrance Guard) (煙台1號一級熱力站及配套熱網工程)	2021-2022 China Installation Star (2021-2022年度中國安裝之星)

Project	Awards
Heshun 200,000 kW Wind Power Project (和順縣20萬千瓦風電項目)	2020-2021 National Quality Engineering Award (2020-2021年度國家優質工程獎) 2021-2022 China Installation Star (2021-2022年度中國安裝之星) 2020 China Power Quality Engineering (2020年度中國電力優質工程) 2020 Fen River Cup Award (2020年度汾水杯)
Project of New Construction of outpatient (emergency) building, imaging building, medical technology building, inpatient building, administrative office building and logistics support building of the Second People's Hospital of Yaodu District, Linfen City (臨汾市堯都區第二人民醫院新建門(急)診樓、影像樓、醫技樓、住院樓、行政辦公樓及後勤保障樓)	2020-2021 National Quality Engineering Award (2020-2021年度國家優質工程獎) 2019 Fen River Cup Award (2019年度汾水杯)
Annual Production of 100,000 Tons (2 X 50,000 Tons) Needle Coke Project of Pingdingshan Xuyang Xingyu New Material Co., Ltd. (平頂山旭陽興宇新材料有限公司年產10萬噸(2乘5萬噸)針狀焦項目)	2020 Quality Engineering of Chemical Industry (2020年度化學工業優質工程)
Shanxi Jinneng Copper Indium Gallium Selenium Thin Film Solar Project No. 07 Segment 102# Power Station Electromechanical Installation Project (山西金能銅銦鎵硒薄膜太陽能項目07標段102#動力站機電安裝工程)	2019-2020 China Installation Star (2019-2020年度中國安裝之星)
New Hospital Project in Xiangning County (鄉寧縣新醫院工程)	2018-2019 China Construction Engineering Luban Award (2018-2019年度中國建設工程魯班獎) 2017-2018 China Installation Star (2017-2018年度中國安裝之星)
400,000 tons/year Polypropylene Thermoplastic Elastomer (PTPE) Project of Zhangjiagang Yangzijiang Petrochemical Co., Ltd. (張家港揚子江石化有限公司40萬噸/年聚丙烯熱塑性彈性體(PTPE)項目)	2018-2019 National Quality Engineering Award (2018-2019年度國家優質工程獎) The 16th Taihang Cup Civil Engineering Award in Shanxi Province (山西省第十六屆太行杯土木建築工程大獎)

In terms of safety and environmental management, civilized construction implementation and standardization, we have also received the following awards during the period since 2016 and up to June 30, 2023:

- 10 awards of "Construction Industry Safety Production Standardization Enterprises (Units)" in various provinces and municipalities;

- six awards of "Construction Safety Production Standardization Sites for National Construction Projects (formerly AAA Grade Safety and Civilization Standardization Sites)";

- 32 awards of "Provincial Excellent Construction Safety Standardization Sites" and "Construction Safety Standardization Projects" in various provinces and districts;

- 12 awards of "China Safety Industry Construction Safety Production Standardization Projects"; and

- 60 awards of "Construction Safety Standardization Demonstration Projects" in various cities (districts and counties).

Contracting model

During the Track Record Period, we undertook most of our construction projects as a main contractor. As a main contractor:

- We perform all major aspects of the industrial and construction project, including civil engineering, equipment installation engineering and electrical instrumentation engineering, central control room automatic control engineering, public works, fire-fighting engineering and other engineering.

- We are also responsible for engaging subcontractors to provide construction services and the labor force for the construction project, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that the construction project remains on schedule.

We believe undertaking construction projects as a main contractor reflects our overall capabilities and is significant to our continued success. Having obtained the Premium Grade Qualifications of General Contracting for Petrochemical Engineering Construction and Municipal Public Engineering Construction, we are able to, and expect to continue to be able to, undertake larger-scale specialized works projects with increased complexity and higher returns nationwide. For a summary of the types of construction contracting services we are licensed to provide, see "Business – Licenses, Permits and Certificates."

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

	For the year ended December 31,									For the six months ended June 30,					
	2020			2021			2022			2022			2023		
Project types	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000* (*unaudited*)	*RMB'000* (*unaudited*)		*RMB'000*	*RMB'000*	
EPC	8,556,186	862,681	10.1%	11,667,174	1,110,972	9.5%	11,345,512	1,317,640	11.6%	5,143,603	595,995	11.6%	4,428,148	554,799	12.5%
PPP (including operating fee income and interest income)	1,013,724	359,337	35.4%	721,861	257,746	35.7%	470,434	248,984	52.9%	181,227	129,418	71.4%	322,921	127,620	39.5%
Non-Construction Business[(Note)]	578,710	206,077	35.6%	889,334	379,210	42.6%	1,028,876	275,422	26.8%	423,103	116,845	27.6%	496,964	103,575	20.8%
Total	10,148,620	1,428,095	14.1%	13,278,369	1,747,928	13.2%	12,844,822	1,842,046	14.3%	5,747,933	842,258	14.7%	5,248,033	785,994	15.0%

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

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

Gross profit and gross profit margin of EPC projects

The table below sets forth a breakdown of our gross profit and gross profit margin of our EPC projects by our role as main contractor or subcontractor for the years/periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Main Contractor	838,614	10.0%	1,061,981	9.4%	1,224,323	11.7%	549,229	11.7%	522,446	13.2%
Subcontractor	24,067	14.7%	48,991	12.8%	93,317	10.3%	46,766	10.8%	32,353	7.1%

For the three years ended December 31, 2022 and the six months ended June 30, 2022 and 2023, our gross profit of main contractor for EPC project was RMB838.6 million, RMB1,062.0 million, RMB1,224.3 million, RMB549.2 million and RMB522.4 million, respectively. Our gross profit margin for EPC projects under which we served as a main contractor fluctuated between 9.4% and 13.2% during the Track Record Period. The fluctuation of our gross profit margin for projects we acted as main contractor was mainly due to the fact that our gross profit margin for projects we acted as main contractor slightly decreased compared with the year ended December 31, 2020 due to the increase in the raw material price and the increase in labor costs for the year ended December 31, 2021. Furthermore, for the six months ended June 30, 2023, we recorded a gross profit margin of 13.2%, which was higher than that for each of the three years ended December 31, 2022 and the corresponding period in 2022. Such increase was mainly due to the fact that some of the major projects in our specialized auxiliary construction segment recorded higher gross profit margin, including the construction project of a 50,000 ton high-purity polycrystalline silicon production plant (i.e. Project SAC-30), which was our largest project during the six months ended June 30, 2023 in terms of revenue with revenue contribution of 16.9% to our revenue for the specialized auxiliary construction segment. Such project had a gross profit margin of 17.4%, which was 1.8 percentage points higher than the overall gross profit margin of our specialized auxiliary construction segment for the six months ended June 30, 2022, thereby contributing to the increase in our overall gross profit margin for the six months ended June 30, 2023.

For the three years ended December 31, 2022 and the six months ended June 30, 2022 and 2023, our gross profit of subcontractor for EPC project was RMB24.1 million, RMB49.0 million, RMB93.3 million, RMB46.8 million and RMB32.4 million respectively. Our gross profit margin for EPC projects under which we served as a subcontractor fluctuated between 7.1% and 14.7% during the Track Record Period. The fluctuation of our gross profit margin for projects we acted as subcontractors was mainly attributable to the fact that we undertook several specialized industrial construction projects which required higher technical input, thus we can charge our customers at higher price with higher profit margin, thereby leading to a higher overall gross profit margin for the year ended December 31,2020. For the six months ended June 30, 2023, we recorded a gross profit margin of 7.1%, which was lower than that for each of the three years ended December 31, 2022 and the corresponding period in 2022. Such decrease was mainly due to the fact that during the six months ended June 30, 2023, several of our mechanical and electrical installation construction projects on the residential building generated lower gross profit margin due to those construction projects required low technical skills only, thereby leading to a decrease in our overall gross profit margin for the six months ended June 30, 2023.

Our construction contracting business mainly comprises EPC and PPP projects. EPC mode refers to the mode that construction companies undertake construction projects in the whole construction process (including design, procurement and construction) or several stages. The industry generally believes that the EPC mode can optimize the project efficiency through the overall coordination and resource allocation of the project. Most of projects contracted by us are EPC projects, only a small number of PPP projects. For the description of PPP project, please refer to "Construction investment – Public-Private Partnership Project".

SALES AND MARKETING

Our marketing and development department and the marketing division of the branch (subsidiary) are the functional departments in charge of the development of the two-level market of our Group. The principle for managing the market development efforts is to implement dynamic management, strengthen process control, and prevent and avoid market risks throughout the process.

During the Track Record Period, we secured new businesses mainly through (i) tender opportunities; or (ii) direct invitation for tender or quotation request by customers.

For public sector projects, we monitor various tender portals weekly to identify relevant tenders that we can participate in. Our Directors consider that since substantially all tenders are on an open tender basis rather than invitations or based on relationships, our established track record of quality and reliable services provided to our existing customers will place us in an advantageous position when competing for tenders.

For private sector projects, our Directors consider that due to our proven track record and our relationship with our existing customers, we are able to leverage our existing customer base and our reputation in the relevant markets such that we do not rely heavily on marketing activities other than liaising with existing and potential customers from time to time for relationship building and management.

For the development and management of major projects[1], we have specially formulated "Development and Management Systems for Major Projects" and adopted and implemented key tracking and refined management. Moreover, we worked to strengthen process control and give priority to project bidding and key issues. Thanks to all these efforts, the focus of the marketing development of major projects has shifted, winning more major projects.

We have established a major project development leading group for the development of major projects, with the principal leader of the group company as the group leader, who is responsible for the supervision of the entire development process of the major projects. We also have two deputy chiefs under the group leader, with the group company's vice president responsible for the development of construction projects and the vice president in charge of the development of the construction investment projects serving in the positions, who are responsible for the guidance and management of major projects in relevant businesses respectively. We have set up a major project development office in the marketing and development department, with the marketing chief as the office director, who are responsible for serving the whole development process of the major projects. Members of the leading group consist of the managers of the branch companies (subsidiaries) to which the major project information belongs, who are responsible for connection throughout the entire process of projects and specific operation. We have established a project development group for each major project with the manager of the branch company (subsidiary) as the group leader and with the manager of branch company (subsidiary) to which the major project information belongs as the first person in charge. Meanwhile, we also require such unit to report development progress to the major project development office of the group company in written on a weekly basis and major project development office will collect and sort out such reports to deliver to the group leader and deputy chiefs. Based on the advice of leaders, major project development office will capitalize on the group company's resources to support the branch company (subsidiary) to win the bid. For major projects, project development group shall conduct thorough investigation and assessment on project owners' qualification, credit, financial condition, past project implementation, product market outlook, to develop a written market research and risk evaluation report.

1 Major project refers to: 1. Project for which the bid amount of the proposed construction general contracting project is greater than RMB200 million, or the bid amount of the construction general contracting project is greater than RMB300 million, or the bid amount of the construction investment project is greater than RMB500 million; 2. Project led by key customers as specified by the group company; 3. Construction project specially deployed in a certain region in response to China's development strategy and decision; 4. Construction project which can boost the future development of a company; 5. Construction project included in key construction projects catalog at national, provincial and municipal level; 6. Project which has a special influence on some regions or industries.

Based on the connotation of corporate culture and IP empowerment, we optimized the "image operation" of the Company leveraging the means of media convergence and built an all-media ecosystem within the Group, which elevated corporate publicity to a new height. In order to enhance the corporate cultural image, the convergence media working group designed corporate cartoon characters Xiaoshan and Xiaoan, and extended a series of cultural and creative products to accelerate online publicity while strengthening offline physical publicity. Taking the Group's cultural promotional films, documentaries, micro-films and other online cultural products as the starting point, the whole process of media integration of "planning, writing, editing, publishing, and comprehensive evaluation" will be completed to make stronger and better the Company's media convergence positioning.

Project Assessment

A majority of our construction projects are identified through the efforts of our marketing department. See "Business – Sales and Marketing." As certain construction projects require public bidding under PRC laws and regulations, we collect information regarding construction projects that is available on websites and other ways where such projects and details are posted.

We have a full-cycle project assessment procedure to assess the construction projects that are available, including setting up specific teams for management, reviewing and planning of relevant projects prior to bidding and/or negotiating with the customer.

ENGINEERING INFORMATION MANAGEMENT PROCESS

Information acquisition → Survey and analysis → Information review → Information setup

After we determine which construction projects are available, we conduct an internal assessment of the projects we may wish to pursue. Our review of potential projects is based on a number of factors, mainly including:

- customer background and track records, such as whether being irresponsible or default in the past

- whether the necessary licenses, qualifications and permits have been obtained, and whether the filing procedures are completed or not

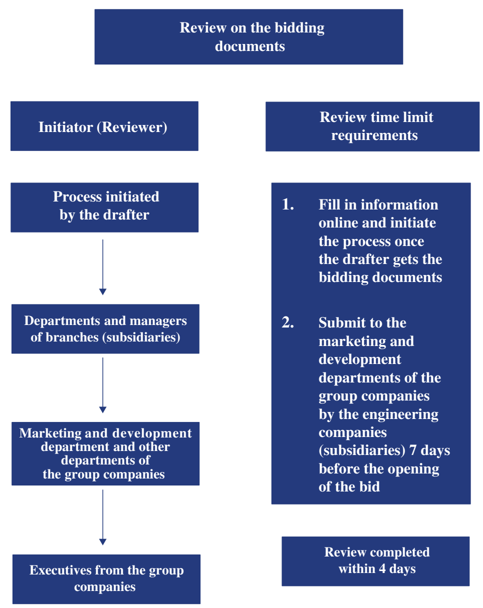
- technical specifications/requirements/nature of the project

- project size
  - except for a few of small subcontracting projects undertaken to maintain or strengthen the cooperative relationship with long-term customers, projects with total contract amount of less than RMB30 million are not accepted
- expected complexity
  - we have adequate ability to deal with more complicated projects
- costs and the expected gross profit
- commercial terms
- project location
  - impacts of transportation on costs, and of climate on personnel relationship
- project goals, prospects and potential – whether these factors affect the margin recovery
- resource allocation and capacity of our project management staff.

Preparation Phase

Our projects are generally awarded through a bidding process or by contract negotiations with our customers. In accordance with the Tender and Bidding Law of the PRC (中華人民共和國招標投標法), projects that related to social and public interests as well as public safety, such as large-scale infrastructure, public utilities and others and projects that are wholly or partially invested with state-owned funds or state financing must be awarded through bidding. See "Regulatory Overview – Tender and bidding." Generally, the preparation phase of each construction project ranges from one to three months.

Our operational procedures in respect of construction engineering projects as a main contractor principally involve identifying potential projects, sales and marketing, tendering and project management. We have developed a project management system covering the entire operating process, including tendering analysis and preparation, project management, project control and project completion and handover. Below is a general flowchart of our bidding process:



PROCUREMENT

The flow of our operation procedures for the major stages in a typical contract are outlined as below. Our bidding work is in charge by the bidding studio set up by each work unit, whose main responsibilities including drafting contracts, participating in negotiations, preparing the bidding scheme, providing the data for calculating the cost from the construction aspect of the project, communicating with the quality and safety and mastering the market dynamics of project cost. Prior to submitting a bid for a project:

- We first conduct a detailed analysis of the proposed construction project, including:
  - a thorough review of the technical and commercial conditions and requirements
  - a cost and risk assessment according to the construction period and payment arrangement
- If the bidding of foreign construction projects is involved, our international business affairs department will make specific analysis on the following aspects, including:
  - the situation of the country and market where the bidding project is located
  - information of other potential bidders and tenderers
- With such an analysis, we put together a draft bid. Our draft bids generally include:
  - a proposed project schedule and timeline for each construction stage
  - a schedule of rates, which primarily includes the rates charged for raw materials, equipment and machinery and labor

If the construction cost exceeds RMB50 million or involves major strategic projects, generally the deputy general manager of development, the director of marketing and development department or the principal of the general manager of the group companies will participate in guiding the bidding work. Typically, our bid preparation process can take one to three weeks and we generally receive the bid results from our customers within a certain period of time after our submission.

If we are successful in the bidding for a project:

- We evaluate the terms provided in our customers' contract.
- Related departments including our marketing management department have the responsibility of conducting contract negotiations with our customers.
- The negotiated terms of the construction contracting contract will then be passed through a sign-off process that include being signed by the legal representative of the group companies on behalf of the Company. If it is a legal person entrusted agent, it is necessary to provide the power of attorney to the partner and sign the contract within the scope of authorization.

Even if we fail to win the bidding, we will timely fill in the bid opening results in the information system for recording, fill in the name and quotation of competitors in detail, and summarize and analyze the reasons for bid winning and losing.

Aside from bidding, some of our construction projects are awarded through contract negotiations with our customers. If the construction project is negotiated with our customer and does not require a bidding process, we will conduct further diligence on the construction project and devise the contract terms accordingly. Upon internal approval of such contract terms, we will engage in contract negotiations with our customers following the same negotiation and review process as discussed above.

The table below sets forth the number of projects for which we have submitted the tender, the number of projects awarded and the success rate during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2020	**2021**	**2022**	**2023**
Number of projects for which we have submitted the tender	1,204	1,200	851	343
Number of projects awarded	613	564	436	198
Success rate (%)	50.9	47.0	51.2	57.7

In the above table, the success rate for a financial year is calculated based on the number of projects awarded for tenders submitted in that financial year (whether awarded in the same financial year or thereafter).

The following table sets forth, the number of projects tendered, awarded and the tender success rate in which we participated by each business segment during the Track Record Period:

Business segment		Specialized Industrial Construction	Specialized Auxiliary Construction	Other Construction	Non-Construction
For the year ended December 31, 2020	Projects tendered	588	337	128	151
	Projects awarded	265	158	56	134
	Tender success rate	45.1%	46.8%	43.7%	88.7%
	Industry tender success rate range *(Note 1)*	30-60%	35-65%	35-65%	N/A *(Note 2)*
For the year ended December 31, 2021	Projects tendered	569	392	110	129
	Projects awarded	268	138	42	116
	Tender success rate	47.1%	35.2%	38.1%	89.9%
	Industry tender success rate range *(Note 1)*	30-60%	25-55%	30-60%	N/A *(Note 2)*

Business segment		Specialized Industrial Construction	Specialized Auxiliary Construction	Other Construction	Non-Construction
For the year ended December 31, 2022	Projects tendered	469	194	59	129
	Projects awarded	222	84	24	106
	Tender success rate	47.3%	43.3%	40.7%	82.2%
	Industry tender success rate range(Note 1)	20-60%	15-55%	20-60%	N/A(Note 2)
For the six months ended June 30, 2023	Projects tendered	165	65	17	96
	Project awarded	73	24	12	89
	Tender success rate	44.2%	36.9%	70.6%	92.7%
	Industry tender success rate range(Note 1)	20-60%	15-55%	35-75%	N/A(Note 2)

Notes:

1. The industry tender success rate range is based on research of Frost & Sullivan.

2. The industry tender success rate is not available as there are no market comparables with the exact combination of all the revenue components under our non-construction business.

The following table sets forth the highest and lowest project sum of construction projects we had submitted a tender for during the Track Record Period:

	Lowest	Highest
	(RMB'000)	*(RMB'000)*
During the year ended December 31:		
2020	10(Note)	728,985
2021	10(Note)	2,250,000
2022	10(Note)	4,025,360
During the six months ended June 30, 2023	5.8(Note)	8,000,000

Note: Projects we bidded for of the lower end of the contract sum range mainly comprises small scale construction maintenance work and/or design projects.

Our bidding success rate, which ranged between 47.0% and 57.7%, did not fluctuate materially during the Track Record Period. Through continuous commitment in pre-project research and judgment, we have also improved the success rate by selecting the best resources and focusing and deploying them on suitable and favorable projects and sectors which contributed to our higher bidding success rate in 2020. At the same time, we also adopted the three-tier promotion system for major projects to ensure the effective undertaking and implementation of projects.

Our three-tier promotion system for major projects is an internal measures adopted by the Group to implement major projects and increase the bid winning rate. In the internal management of market development, the Group mainly implements a three-tier promotion system for the projects collected and tracked by the internal units of the Group. The specific measures are as follows:

(1) The projects propelled at the Group level refer to the major projects selected by the management of the Group at the major project promotion meeting that achieve a certain degree of scale, influence and importance. The market development department will organize relevant management meetings every week to ensure effective communication between the project manager and our client to ensure the solid progress and stable implementation of the project;

(2) The projects propelled at the functional department level refer to the major projects that are not propelled at the Group level. The market development department organizes relevant units to hold major project promotion meetings every two weeks to select, analyze, implement and promote various major projects, and the qualified projects will be propelled to the group level; and

(3) The projects propelled at the general level refer to the non-significant projects tracked by each unit of the Group, which shall be counted, implemented and followed up by each unit.

The reason for the decrease in the number of projects for which tenders were submitted for the year ended December 31, 2022 is that we adhere to the development concept of “big market, big owners, big projects” and in principle we focus on sizable projects with higher profit potential and would gradually lower the proportion of submitting bids for projects of contract sum under RMB50 million, real estate projects and low-profit civil engineering projects. The concept of “big market, big owners, big projects” is a business strategy to prioritise projects of higher value in terms of project size (i.e project of contract sum over RMB50 million) and business scale of customer, which usually have a higher profitability and facilitate optimised operation. Through focusing our resources on these quality projects, we aim to connect with major customers and property owners to ensure continuous deepening of our market penetration rate in these high-end market with higher strategic value, higher level of technology input and good economic benefits, thereby refining our project portfolio. Through establishing a quality clientele and improving our project portfolio, we believe not only our profitability can be improved, but also to enhance our reputation as a quality construction service provider, thus to improve our market competitiveness. By focusing our resources in quality projects, we aim to attract more customers in the high-end market and deepen our cooperation with customers in this market segment. Accordingly, we believe that we can further optimize our services and expand the market for quality customers, which usually offers projects with higher technological input and profitability. In addition, with better project portfolio, we can showcase our construction capabilities, thus to enhance our bidding ability through increasing our market competitiveness so as to broaden our revenue base.

PROJECT IMPLEMENTATION PHASE

Project Preparation

Upon execution of the construction contracting contract, we will:

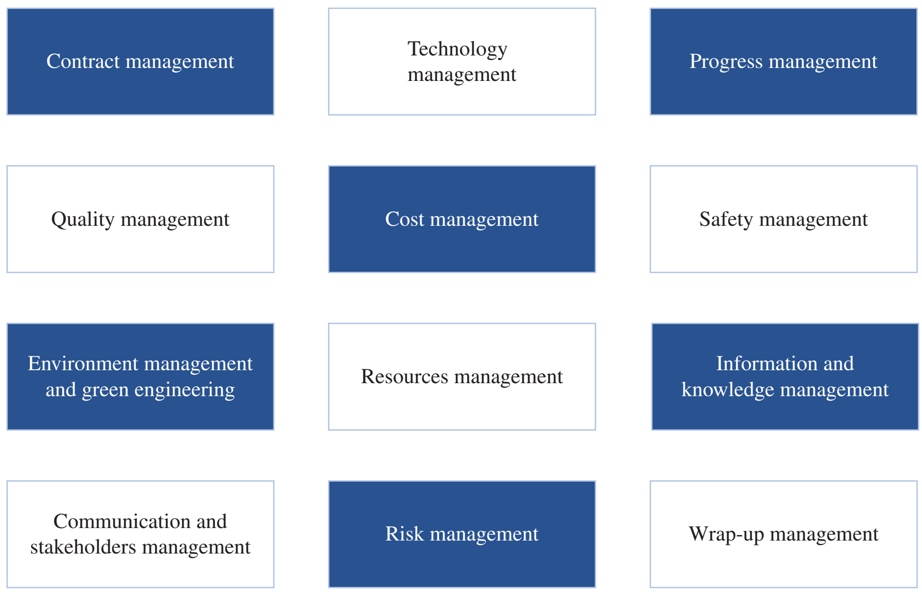
- Commence the implementation of construction projects by forming a project management team.

- Assist our customers in obtaining the necessary permits to commence the construction work.

- Prepare for the construction projects by forming construction plans in accordance with the construction blueprint design, terms of the construction contracting contract and bid documents, as well as making plans to purchase raw materials and for leasing or procuring machinery and equipment.

Project Execution and Management

We have established project management and control procedures and conducted our construction contracting business in accordance with such procedures to ensure compliance with contract requirements.



During the course of the construction projects, our customers, or independent surveyors engaged by our customers, conduct inspections. See this section "Quality Control" for more details. We communicate regularly with our customers during the construction process to ensure that our performance meets their expectations.

Our construction projects are managed by our engineering management department, technical quality department and our safety and environment-friendly department. In addition, our human resources department assigns a project management team to each project. In general, the size of a project management team increases proportionately with the increase in scale and complexity of the construction project. Our project management teams typically comprise project managers and technical managers, as well as staff teams responsible for project construction, quality and safety standards, materials, information, and sampling.

Our project managers are mainly responsible for coordinating and managing the construction projects, allocating work within the project management team and organizing plans for construction and procurement, as well as coordinating with the customer, independent surveyors, suppliers and subcontractors, if any.

Customer Inspection and Acceptance

Upon completion of the construction project and after the project passes our internal inspection, we submit a project completion inspection report to our customers. Our customers or third-party inspectors engaged by our customers, the survey and design professionals and the relevant government authorities then conduct inspections on the project.

Upon passing the inspection, we will receive an acceptance of our project completion inspection report issued by relevant government authorities with signatures of parties involved in the inspection process, which is to certify the completion of the project. Thereafter, we will settle our accounts with the customer after a prior internal review of such accounts and in accordance with the review report agreed to by our customer and us to certify the settlement amount.

Customer Service and Collection of Retention Fee

Upon completion of the construction project and during the defects liability period, we are responsible for any defects arising from construction under the terms of our construction contract. Our customers generally withhold a retention fee, which is generally 3% to 10% of the settlement amount of the entire project (not including any ad-hoc fees and day-labor costs) which is calculated upon completion and acceptance of the construction projects, as retention fee. Such retentions will generally be returned to us in full at the end of the defects liability period.

The term of the defects liability period is usually subject to the national requirements, depending on the type of construction service we provide but the length of the defects liability period will not vary greatly. During the Track Record Period, in most cases, we collected the retention fees retained by our customers pursuant to the contract terms as they became due.

Price Determination

Pending on the type of project we engage in, we generally provide a price quote during the bidding process or engage in price negotiations with our customers. Our price quote is determined primarily based on a number of factors, including:

- the costs of raw materials and equipment and machinery, labor and subcontractors;
- pricing guidance issued by supervisory bodies and industry committees (if applicable);
- project schedule;
- the complexity and scale of the construction project;
- the potential modification of the scope of work;

- geographical location and environmental condition of the project site;
- our estimation of the competing bids;
- contractual risks.

We may negotiate construction contracts on a fixed-price or variable-price basis, which enables us to manage our exposure to cost fluctuations. Generally, the value of our fixed-price contracts may be adjusted if:

- we experience major raw material price fluctuations above a certain percentage;
- we are required to provide additional services;
- certain force majeure events occur.

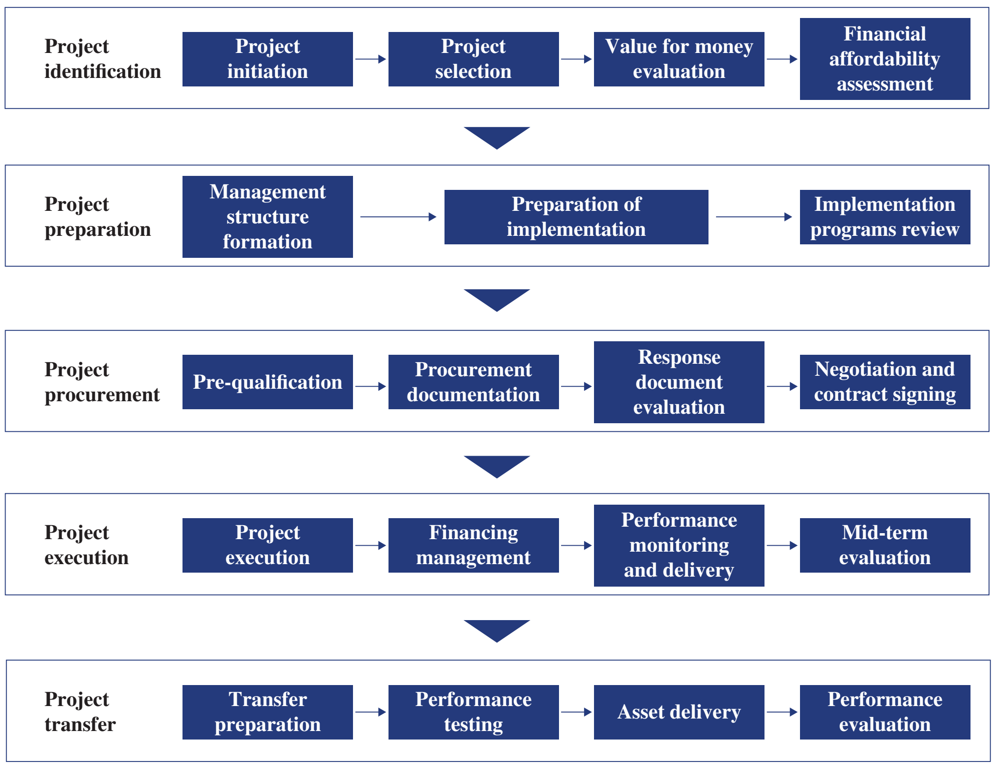
The amount of such adjustments in the price of raw materials is generally determined based on guidance published by the government. Under most of our variable-price contracts, our fees are determined based on the nature of project conducted as a unit and the total volume of actual work performed. The unit price of a sub-item of an engineering project may be fixed or may refer to a government published price. We adopt adjustable prices for materials and equipment when signing contracts with our customers to minimize the risk of losses from fluctuations in the materials and equipment market.

During the Track Record Period, the Group did not have any loss-making projects which were completed. During the Track Record Period, we had one loss-making project as a result of project cancellation, namely the Australia project under which we incurred a loss of approximately RMB24.7 million which mainly comprised the settlement amount we paid to a supplier of the Australian project. For further details of, please refer to the section headed "Business – Overseas Business – Issues with our Australia Project".

CONSTRUCTION INVESTMENT

Public-Private Partnership Project

During the Track Record Period, we also undertook certain construction contracting business under the PPP model. PPP is a cooperation model established by the government and private enterprise on specific projects in which the parties to the projects jointly undertake responsibility and financing risks. In recent years, the PRC government has encouraged the development of the PPP model, where "social capital" partners cooperate with local governments in the financing, construction, operation, and maintenance of projects related to public services. As we have the ability of BOT, EMC, PPP project management and investment and financing integration, by setting up and undertaking the financing, construction (including engineering and procurement) and operation of the project company, we can obtain the contracting service income during the project construction and earn additional investment returns and operation income during our operation period. The gross profit margin of our PPP projects is generally higher than that of our construction contracting projects. In response to the favorable government policies and leveraging our proven track record in construction contracting, we have selectively invested in PPP projects in relation to our principal businesses in recent years. Please refer to paragraphs headed "Financial Information – Critical Accounting Policies, Judgments and Estimates – Accounting Treatment of PPP Projects" for details regarding the accounting treatment for PPP Projects.



PPP Project Operation Process

During the Track Record Period, we have undertaken all the following PPP projects, some of which have obtained provincial certification:

No.	Project	Identity of customer	Total investment amount (Note 1 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	Date of Contract/ Date of Commencement under the contract (Note 3)	Date of completion/ expected operation (Note 3)	Scope of services provided by the Group	Status	Construction completion percentage (%)	Operation period (Note 2) (Years)	Construction revenue (RMB'000)				Operating income (RMB'000)				Finance income (RMB'000)				Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
													2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023			
1	PPP project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province	Government authority of the Qinshui County	854,317.3	Financing: 80%; Equity Investment: 20%	170,864	80%	April 2022	June 2024	Investment and financing, construction, operation and maintenance Construction: Construct school building, office building, library and other basic facilities of new party school, carry out road, bridge, tunnel, lighting, water discharge, transportation and green construction for Qinshui-East Link Traffic Hub Project (沁水東連接線交通樞紐工程) Operation and maintenance: facilities, restaurants, dormitory and convenience stores within party school and management of charging pipes (充電樁經營管理) in the traffic hub	Construction commenced in the second quarter of 2022	New Party School: 43.3%; Qinshui-East Link traffic hub: 68.0%	20	–	–	159,245	160,394	–	–	–	–	–	–	–	–	Priority under the same conditions if the performance record is good after the contract period.	Government viability gap funding and government grants calculated according to the established formula	The government makes provision twice in one operating year. No evaluation for the first time, 50% of the availability service fee base will be paid. The second payment is based on the actual payment determined as a result of the performance evaluation, after deducting the first payment.

No.	Project	Identity of customer	Total investment amount *(Note 1 and 4)* (RMB'000)	Proportion of financing and equity investment amount *(Note 4)*	Our required Equity Investment Amount (RMB'000) *(Note 4)*	Our equity interest in project company *(Note 4)*	Date of Contract/ Date of Commencement under the contract *(Note 3)*	Date of completion/ expected operation *(Note 3)*	Scope of services provided by the Group	Status	Construction completion percentage (%)	Operation period *(Note 2)* (Years)	Construction revenue (RMB'000)				Operating income (RMB'000)				Finance income (RMB'000)				Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
													2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023			
2	PPP Project of Underground Comprehensive Pipe Gallery Project in Xiyang Economic and Technological Development Zone, Xiyang County, Jinzhong City*	Government authority of the Xiyang County	683,300.5	Financing: 80%; Equity Investment: 20%	122,994	90%	June 2019	December 2020	Investment and financing, construction and operation Construction: Construct a cooperation project at the west of X340 at the economic and technological development zone in Xiyang (昔陽經濟技術開發區X340縣道西側) according to county government authority Operation and maintenance: Maintain the working environment, pipelines and corridors, and device contingency plans with relevant departments	Completed	100.0%	19	233,680	59,453^	–^#	–	–	1,036	1,037	518	–	40,815	39,814	20,902	N/A	Government viability gap funding (可行性缺口補助) include availability of service fee and operation and maintenance performance service fee calculated according to the established formula	The government provides the viability gap funding according to a designated formula annually throughout the operation period. The first batch of payment is made 30 days after the end of first year of operation.

** This PPP project was awarded the Shanxi Public Utilities Association 2021 Demonstration Project.*

Please refer to the paragraph headed "Financial Information – Description of selected components of our consolidated statements of profits or loss and other comprehensive income – Gross profit margin of PPP projects" for further details.

^ Construction revenue was recognized and/or adjusted after completion of the construction in accordance with the results of the completion audit.

No.	Project	Identity of customer	Total investment amount *(Note 1 and 4)* *(RMB'000)*	Proportion of financing and equity investment amount *(Note 4)*	Our required Equity Investment Amount (RMB'000) *(Note 4)*	Our equity interest in project company *(Note 4)*	Date of Contract/ Date of Commencement under the contract *(Note 3)*	Date of completion/ expected operation *(Note 3)*	Scope of services provided by the Group	Status	Construction completion percentage *(%)*	Operation period *(Note 2)* *(Years)*	Construction revenue *(RMB'000)*				Operating income *(RMB'000)*				Finance income *(RMB'000)*				Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
													2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023			
3	PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone	Government authority of the Yangquan Economic and Technological Development Zone	650,000.0	Financing: 80%; Equity Investment: 20%	104,000	80%	March 2023	January 2025	Investment and financing, construction and operation Construction: Construct roads and pipe network engineering, earthwork platform, greening engineering, land demolition and removal of obstacles, and intelligent platforms. Carry out water discharge, water supply, water work lighting, electricity supply, heat supply and traffic work Operation and maintenance: Road repair and maintenance, greening and maintenance	Construction commenced in first quarter of 2023	0.8%	28	–	–	–	6,305	–	–	–	–	–	–	–	–	Priority under the same conditions if the performance record is good during the contract period	Government viability gap funding include availability service fee, operation and maintenance performance service fee and users' income calculated according to the established formula	In principle, after the expiration of each operating period, the corresponding government viability gap funding will be paid according to the results of the performance evaluation.

No.	Project	Identity of customer	Total investment amount (Note 1 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	Date of Contract/ Date of Commencement under the contract (Note 3)	Date of completion/ expected operation (Note 3)	Scope of services provided by the Group	Status	Construction completion percentage (%)	Operation period (Note 2) (Years)	Construction revenue (RMB'000)				Operating income (RMB'000)				Finance income (RMB'000)				Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
													2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023			
4	PPP Project for Small Water Network Ancillary Works in Jiexiu City*	Government authority of Jiexiu City	588,120.0	Financing: 80%; Equity Investment: 20%	88,215	75%	June 2019	June 2024	Investment and financing, construction and operation Construction: Supply water, reservoir expansion and construction, and water plant construction Operation and maintenance: Daily operation and maintenance of reservoirs and water plants	To be completed	97.0%	17	108,011	53,973	37,561	14,897	–	–	–	–	–	–	–	–	After the expiration of the concession period, the concessionaire shall enjoy the priority of renewal under the same conditions	Government viability gap funding include availability service fee, operation and maintenance performance service fee and users' income calculated according to the established formula	The government provides the viability gap funding according to a designated formula semiannually. The first batch of payment is made upon satisfaction of quality inspection standard.
5	PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County	Government authority of Xinjiang County	567,854.0	Financing: 90%; Equity Investment: 10%	30,000	60%	April 2019	May 2022	Design, investment and financing, construction, operation and maintenance services Construction: Construct overturning dam, sand barrage, concrete drainage boxes, rainwater pumping stations Operation and maintenance: Operation and maintenance of river course in accordance with regulations of the relevant authority and contract entered into	Completed	100.0%	17	161,943	104,118	22,360	1,883	–	–	–#	–	–	–	–	–	Priority under the same conditions if the government continues to adopt the PPP model to select the operator	Include availability service fee and operation and maintenance service fee calculated according to the established formula	The government provides the availability service fee according to a designated formula together with the operating service fee at a fixed margin of 7.98% in addition to annual operating costs. The first batch of service fee will be made six months after the beginning of the operation.

* This PPP project was awarded the 2021 Flood Control and Disaster Relief Caring Enterprise.

The construction of the project has been completed in May 2022 but has yet to recognize any operating fee income as the completion audit result has yet to be confirmed.

No.	Project	Identity of customer	Total investment amount (Note 1 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	Date of Contract/ Date of Commencement under the contract (Note 3)	Date of completion/ expected operation (Note 3)	Scope of services provided by the Group	Status	Construction completion percentage (%)	Operation period (Note 2) (Years)	Construction revenue (RMB'000)				Operating income (RMB'000)				Finance income (RMB'000)				Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
													2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023			
6	PPP project of the Photovoltaic Industry Incubation and Entrepreneurship Base of the People's Government of Huangnian Town, a suburb of Changzhi City	Government authority of Changzhi City	507,105.9	Equity Investment: 100%	36,000	90%	July 2018	December 2019	Investment and financing, construction, operation and maintenance and house leasing Construction: Construct basic infrastructures, standard workship and R&D testing centre, road, domestic water supply pipe network, industrial water supply pipe network and other pipe networks Operation and maintenance: Maintain road, water pipe network, electricity network, gas network, property, cleaning and greening, and fixed assets	Completed	100.0%	10	14,237^	5,125^	–@	–	–#	–#	–#	–	12,614	17,413	3,445	4,594	N/A	Include availability service fee and operation and maintenance performance service fee calculated according to the established formula	The government provides the viability gap funding at the end of each year of the operation period according to a designated formula in Caijin [2015] No. 21.
7	PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Liulin County	Government authority of Liulin County	353,200.0	Financing: 80%; Equity Investment: 20%	7,250	10%	March 2019	August 2019	Investment and financing, construction and operation services Construction: Construct central heating pipe network, heat stations, heat exchange stations Operation and maintenance: Provide heat supply services, operate, repair and maintenance of heat stations and facilities	Completed	100.0%	29	65,532^	25,167^	–	–	66,844	69,354	75,706	45,603	33,753	33,503	33,265	16,533	N/A	Include availability service fee and operation and maintenance performance service fee calculated according to the established formula	The government provides the viability gap funding according to a designated formula annually according to a designated formula in Caijin [2015] No. 21. The first batch of payment will be made within 30 days after the end of first year of operation.

@ Please refer to the paragraph headed "Financial Information – Description of selected components of our consolidated statements of profits or loss and other comprehensive income – Gross profit margin of PPP projects" for further details.

\# Despite the fact that the construction stage has been completed in December 2019 and that the operation stage has commenced in April 2020, operating income was not recognised thereafter as the Company is still in course of finalising the performance indicator to be met with the relevant government authority. The Company was required to re-negotiate the performance indicators of PPP project of the Photovoltaic Industry Incubation and Entrepreneurship Base of the People's Government of Huangnian Town, a suburb of Changzhi City with the relevant government authority due to the downscale of the construction and delay in operation of certain segment of the project. As of the Latest Practicable Date, the revised performance indicators have been compiled and is expected to be tabled, considered and approved where appropriate in a meeting of the local government authority in June 2023, and the Company may recognise the operating revenue for this PPP Project thereafter.

^ Construction revenue was recognized and/or adjusted after completion of the construction in accordance with the results of the completion audit.

No.	Project	Identity of customer	Total investment amount (Note 1 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	Date of Contract/ Date of Commencement under the contract (Note 3)	Date of completion/ expected operation (Note 3)	Scope of services provided by the Group	Status	Construction completion percentage (%)	Operation period (Note 2) (Years)	Construction revenue (RMB'000) 2020	Construction revenue 2021	Construction revenue 2022	Construction revenue For the six months ended June 30, 2023	Operating income (RMB'000) 2020	Operating income 2021	Operating income 2022	Operating income For the six months ended June 30, 2023	Finance income (RMB'000) 2020	Finance income 2021	Finance income 2022	Finance income For the six months ended June 30, 2023	Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
8	PPP Project of Swimming Pool and Meixing Theater of Qinshui County in Jincheng City, Shanxi Province*	Government authority of Qinshui County	337,316.3	Financing: 80%; Equity Investment: 20%	64,090	95%	Swimming Pool February 2019 Meixing Theater May 2019	Swimming Pool May 2021 Meixing Theater May 2022	Financing, construction, operation and maintenance, and customer services Construction: Construct swimming pool including three pools, stands, auxiliary rooms and facilities, and 800-seat theatre with facilities including underground car park Operation and maintenance: Operate swimming pool, theatre and non-core services (administrative services), including swimming pool, fitness centre, swimming training, theatre performance, conference and parking services, as well as greening, maintenance of roads and facilities, and property management for non-core services	Completed	100.0%	17	125,733	87,963	17,292	6,390	–	617	6,789	2,971	–	–	23,438	8,868	N/A	Government viability gap funding include availability service fee, operation and maintenance performance service fee and users' payment calculated according to the established formula	The government provides the viability gap funding according to a designated formula semiannually. The first batch of payment is made in the sixth month of the first year of the operation period.

* This PPP project was awarded the Shanxi High Quality Structural Engineering award.

No.	Project	Identity of customer	Total investment amount (Note 1 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	Date of Contract/ Date of Commencement under the contract (Note 3)	Date of completion/ expected operation (Note 3)	Scope of services provided by the Group	Status	Construction completion percentage (%)	Operation period (Note 2) (Years)	Construction revenue (RMB'000)				Operating income (RMB'000)				Finance income (RMB'000)				Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
													2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023			
9	PPP Project of Two Roads and Three Streets Widening and Reconstruction Project in Huguan County*	Government authority of the Huguan County	304,638.0	Financing: 77%; Equity Investment: 23%	54,835	90%	June 2018	December 2020	Investment and financing, construction and operation Construction: Construct road, provide a range of services including but not limited to water supply, water drainage, transportation, lighting, electricity, greening and heating Operation and maintenance: Maintain and repair roads, inspect and supervise wells, manage trees, manage street lights and provide other related management services	Completed	100.0%	15	73,704	16,860^	–	–	–	3,113	3,115	1,977	4,243	16,596	15,076	7,301	Priority under the same conditions if the performance record is good during the contract period	Government payments include availability service fee, operation and maintenance performance service fee and users' payment calculated according to the established formula	The government provides the availability service fee according to a designated formula together with the operating and maintenance service fee at a fixed margin of 6.98% in addition to annual operating costs. The first batch of service fee is made in May of the first year of the operation period.

** This PPP project was awarded the Shanxi Public Utilities Association 2020 Demonstration Project.*

^ Construction revenue was recognized and/or adjusted after completion of the construction in accordance with the results of the completion audit.

No.	Project	Identity of customer	Total investment amount *(Note 1 and 4)* *(RMB'000)*	Proportion of financing and equity investment amount *(Note 4)*	Our required Equity Investment Amount (RMB'000) *(Note 4)*	Our equity interest in project company *(Note 4)*	Date of Contract/ Date of Commencement under the contract *(Note 3)*	Date of completion/ expected operation *(Note 3)*	Scope of services provided by the Group	Status	Construction completion percentage *(%)*	Operation period *(Note 2)* *(Years)*	Construction revenue *(RMB'000)*				Operating income *(RMB'000)*				Finance income *(RMB'000)*				Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
													2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023			
10	PPP Project of Extension Project of Wangchuan Street, Qishan South Road and Huangwei East Street in Lingchuan County*	Government authority of Lingchuan County	273,560.0	Financing: 79%; Equity Investment: 21%	49,241	90%	January 2018	November 2019	Investment and financing, construction, operation and maintenance Construction: Construct roads, provide a range of services including but not limited to culverts and municipal supporting water supply, rainwater, sewage, street lights, greening work, traffic facilities, heating, cable drainage work and bridge construction Operation and maintenance: Daily maintenance, operation and small-scale repair	Completed	100.0%	15	17,045^	3,787^	–	–	2,230	2,081	2,232	1,115	16,354	15,684	15,556	6,700	N/A	Government payments include availability service fee, operation and maintenance performance service fee calculated according to the established formula	The government provides the availability service fee according to a designated formula together with the operating and maintenance service fee at a fixed margin of 6.98% in addition to annual operating costs. The first batch of service fee is made in the first month of the first year of the operation period.

* This PPP project was awarded the 2020 Shanxi Construction Enterprise Association Fen River Cup Project.

^ Construction revenue was recognized and/or adjusted after completion of the construction in accordance with the results of the completion audit.

No.	Project	Identity of customer	Total investment amount (Note 1 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	Date of Contract/ Date of Commencement under the contract (Note 3)	Date of completion/ expected operation (Note 3)	Scope of services provided by the Group	Status	Construction completion percentage (%)	Operation period (Note 2) (Years)	Construction revenue (RMB'000) 2020	2021	2022	For the six months ended June 30, 2023	Operating income (RMB'000) 2020	2021	2022	For the six months ended June 30, 2023	Finance income (RMB'000) 2020	2021	2022	For the six months ended June 30, 2023	Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
11	PPP Project of "Five Roads and One River" Project in Gaoping City	Government authority of Gaoping City	209,380.0	Financing: 79%; Equity Investment: 21%	39,786	95%	August 2017	May 2020	Investment and financing, construction, operation and maintenance Construction: Construct urban roads, provide a range of services including but not limited to rainwater, sewage, heating, gas, lighting, power cable drainage, traffic and greening Operation and maintenance: Road repair and discharge sewage, maintenance of pipelines	Completed	100.0%	15	34,517	1,938^	2,080^	–	1,295	1,318	1,320	659	10,873	16,952	16,361	7,840	Priority under the same conditions if the government continues to adopt the PPP model to select the operator	Government payments include availability service fee, operation and maintenance performance service fee calculated according to the established formula	The government provides the availability service fee according to a designated formula together with the operating and maintenance service fee at a fixed margin of 7.5% in addition to annual operating costs. The first batch of payment will be made within one month after the end of first year of operation.
12	PPP Project of South Extension Viaduct Project of Binhe East Road, Xiantangshan Tourist Highway in Xiangyuan County	Government authority of Xiangyuan County	149,711.6	Financing: 80%; Equity Investment: 20%	23,954	80%	April 2021	April 2023	Investment and financing, construction, operation and maintenance Construction: Construct a new bridge with a scale of two-way four lanes Operation and maintenance: Maintain viaduct roadbed, road surface, bridge culvert, bridge deck, ramps, lighting, road traffic barrier, traffic signs and greening work. Daily inspection, repair, maintenance and cleaning	Completed	100.0%	10	–	105,306	6,990	–	–	–	–	–*	–	–	–	5,891	N/A	Government payments include availability service fee, operation and maintenance performance service fee calculated according to the established formula	The government provides the availability service fee according to a designated formula together with the operating and maintenance service fee at a fixed margin of 7.5% in addition to annual operating costs. The first batch of payment will be made within one month after the end of first year of operation.

* Construction of the PPP Project of South Extension Viaduct Project of Binhe East Road, Xiantangshan Tourist Highway in Xiangyuan County has been completed in the first half of 2023 and has met the operation requirement. No operation fee income was recognized for such project during the six months ended June 30, 2023 as the Company is still in course of finalising the operation plan with the relevant government authority.

^ Construction revenue was recognized and/or adjusted after construction completion of the construction in accordance with the results of the completion audit.

No.	Project	Identity of customer	Total investment amount (Note 1 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	Date of Contract/ Date of Commencement under the contract (Note 3)	Date of completion/ expected operation (Note 3)	Scope of services provided by the Group	Status	Construction completion percentage (%)	Operation period (Note 2) (Years)	Construction revenue (RMB'000) 2020	Construction revenue (RMB'000) 2021	Construction revenue (RMB'000) 2022	Construction revenue (RMB'000) For the six months ended June 30, 2023	Operating income (RMB'000) 2020	Operating income (RMB'000) 2021	Operating income (RMB'000) 2022	Operating income (RMB'000) For the six months ended June 30, 2023	Finance income (RMB'000) 2020	Finance income (RMB'000) 2021	Finance income (RMB'000) 2022	Finance income (RMB'000) For the six months ended June 30, 2023	Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
13	PPP Project of (Fourth) Sewage Treatment Plant and Supporting Pipe Network Project of New Town in North of Linfen City	Government authority of Linfen City	104,023.2	Financing: 80%; Equity Investment: 20%	17,824	85.67%	December 2020	June 2021	Investment and financing, construction, operation and maintenance Construction: Construct coarse grating and inlet pump room, lifting pump room, blower room, carbon feeding room, chlorination room, sludge thickening and dewatering room and ancillary production buildings Operation and maintenance: Receive, treat and discharge sewage, maintain and repair facilities and equipment, pipeline network, and buildings and structures	To be completed	100.0%*	20	31,117	39,690	5,828^	1,580	–	–	–	–	–	–	–	–	Priority under the same conditions if the performance record is good during the contract period	Sewage project treatment fees include availability payment, operation and maintenance service fee calculated according to the established formula	The government provides the availability service fee according to a designated formula, and the first batch of payment will be made within six months after the beginning of the operation period. The government also provides operating and maintenance result service fee which is calculated at another designated formula, and the first batch of payment will be made after the first quarter of the operation period.

* The original construction of this project has been completed and commenced pilot operation in June 2021. The Company received additional construction order in 2022 based on operation needs and has recognized addition construction revenue. As of the Latest Practicable Date, the construction of the additional portion has been completed and the remaining revenue will be recognized upon confirmation of the completion audit. The operating fee income will also be calculated subject to the completion audit.

^ Construction revenue was recognized and/or adjusted after completion of the construction in accordance with the results of the completion audit.

No.	Project	Identity of customer	Total investment amount (Note 1 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	Date of Contract/ Date of Commencement under the contract (Note 3)	Date of completion/ expected operation (Note 3)	Scope of services provided by the Group	Status	Construction completion percentage (%)	Operation period (Note 2) (Years)	Construction revenue (RMB'000)				Operating income (RMB'000)				Finance income (RMB'000)				Terms and conditions of renewal	Benchmark for calculating returns during the operating period	Calculation and schedule funded by the Government
													2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023	2020	2021	2022	For the six months ended June 30, 2023			
14	PPP Project of Urban Flood Control and Drainage and Comprehensive Treatment of Ecological Environment in Zhangzi County, Changzhi City (長治市長子縣城市防洪排澇及生態環境綜合治理工程PPP項目)	Government authority of Zhangzhi County	524,227	Financing: 80%; Equity Investment: 20%	34,599	33%	Construction period has yet to be confirmed	Construction period has yet to be confirmed	Construction of a comprehensive urban flood control and ecological environment management system, with a river length of 9.4km, construction of a pump station, an intake gate, two multistage water drops, 2.22km of pipe network, 7 square culverts, 4 control gates, and 1 rubber dam; and construction of six theme parks, including pavement, greening, water systems, buildings and structures, landscape facilities, and supporting lighting systems, water supply and drainage systems.	The tender of the project was awarded to us but construction has yet to commence. The project is currently under preliminary preparation stage.	N/A	16	–	–	–	–	–	–	–	–	–	–	–	–	N/A	Government viability gap funding calculated according to the established formula	The government provides the viability gap funding according to a designated formula annually.

Notes:

1. The total investment amount refers to the entire contract sum under the relevant contracts of the PPP projects.

2. Excludes construction period.

3. Generally, the date of completion/expected operation for a project is determined based on our management's estimation made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

4. The proportion of financing and equity investment amount is calculated in accordance with the initial financing contractual arrangement in the relevant PPP contract. As a part of our cost-saving measure, we will arrange for capital injection by phases in our PPP projects based on project needs and/or our available financial resource during the relevant time, such that to save unnecessary interest expenses. Accordingly, the amount of investment amount injected through financing may not reflect the final amount of bank borrowings we obtained for the relevant PPP project. Our required equity investment amount equals to total investment amount times the proportion of equity investment amount to be borne by us based on our equity interest in the project company.

The following table sets forth a summary of the overall gross profit margin of our PPP projects since their commencement:

No.	Project	Status	Date of commencement	Date of completion/ expected operation (Note)	Construction Completion percentage (%)	Accumulated revenue (including construction revenue, operating income and finance income) since the construction commenced (RMB'000)	Accumulated cost since the construction commenced (RMB'000)	Accumulated gross profit since the construction commenced (RMB'000)	Accumulated gross profit margin since the construction commenced
1	PPP Project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province	Construction commenced in the second quarter of 2022	Apr 2022	Jun 2024	New Party School: 43.3% Qinshui-East Link Traffic Hub: 68.0%	319,639	256,032	63,607	19.9%
2	PPP Project of Underground Comprehensive Pipe Gallery Project in Xiyang Economic and Technological Development Zone, Xiyang County, Jinzhong City	Completed	Jun 2019	Dec 2020	100.0%	649,289	357,001	292,288	45.0%

No.	Project	Status	Date of commencement	Date of completion/ expected operation *(Note)*	Construction Completion percentage *(%)*	Accumulated revenue (including construction revenue, operating income and finance income) since the construction commenced *(RMB'000)*	Accumulated cost since the construction commenced *(RMB'000)*	Accumulated gross profit since the construction commenced *(RMB'000)*	Accumulated gross profit margin since the construction commenced
3	PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone	Construction commenced in March 2023	Mar 2023	Jan 2025	0.8%	6,305	2,957	3,348	53.1%
4	PPP Project for Small Water Network Ancillary Works in Jiexiu City	To be completed	Jun 2019	Jun 2024	97.0%	316,286	227,709	88,577	28.0%
5	PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County	Completed	Apr 2019	May 2022	100.0%	400,651	307,425	93,226	23.3%

No.	Project	Status	Date of commencement	Date of completion/ expected operation *(Note)*	Construction Completion percentage *(%)*	Accumulated revenue (including construction revenue, operating income and finance income) since the construction commenced *(RMB'000)*	Accumulated cost since the construction commenced *(RMB'000)*	Accumulated gross profit since the construction commenced *(RMB'000)*	Accumulated gross profit margin since the construction commenced
6	PPP Project of the Photovoltaic Industry Incubation and Entrepreneurship Base of the People's Government of Huangnian Town, a suburb of Changzhi City	Completed	Jul 2018	Dec 2019	100.0%	195,843	122,426	73,417	37.5%
7	PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Liulin County	Completed	Mar 2019	Aug 2019	100.0%	727,157	468,034	259,123	35.6%
8	PPP Project of Swimming Pool and Meixing Theater of Qinshui County in Jincheng City, Shanxi Province	Completed	Swimming Pool: Feb 2019 Meixing Theater: May 2019	Swimming Pool: May 2021 Meixing Theater: May 2022	100.0%	331,250	242,270	88,980	26.9%
9	PPP Project of Two Roads and Three Streets Widening and Reconstruction Project in Huguan County	Completed	Jun 2018	Dec 2020	100.0%	311,301	166,809	144,492	46.4%

No.	Project	Status	Date of commencement	Date of completion/ expected operation *(Note)*	Construction Completion percentage *(%)*	Accumulated revenue (including construction revenue, operating income and finance income) since the construction commenced *(RMB'000)*	Accumulated cost since the construction commenced *(RMB'000)*	Accumulated gross profit since the construction commenced *(RMB'000)*	Accumulated gross profit margin since the construction commenced
10	PPP Project of Extension Project of Wangchuan Street, Qishan South Road and Huangwei East Street in Lingchuan County	Completed	Jan 2018	Nov 2019	100.0%	284,236	153,347	130,889	46.0%
11	PPP Project of "Five Roads and One River" Project in Gaoping City	Completed	Aug 2017	May 2020	100.0%	247,353	136,793	110,560	44.7%
12	PPP Project of South Extension Viaduct Project of Binhe East Road, Xiantangshan Tourist Highway in Xiangyuan County	Completed	Apr 2021	Apr 2023	100.0%	118,187	89,129	29,058	24.6%
13	PPP Project of (Fourth) Sewage Treatment Plant and Supporting Pipe Network Project of New Town in North of Linfen City	Completed	Dec 2020	Jun 2021	100.0%	78,215	67,147	11,068	14.2%

No.	Project	Status	Date of commencement	Date of completion/ expected operation *(Note)*	Construction Completion percentage *(%)*	Accumulated revenue (including construction revenue, operating income and finance income) since the construction commenced *(RMB'000)*	Accumulated cost since the construction commenced *(RMB'000)*	Accumulated gross profit since the construction commenced *(RMB'000)*	Accumulated gross profit margin since the construction commenced
14	PPP Project of Urban Flood Control and Drainage and Comprehensive Treatment of Ecological Environment in Zhangzi County, Changzhi City	The tender of the project was awarded to us but construction schedule has yet to be confirmed. The project is currently under preliminary preparation stage.	Construction schedule has yet to be confirmed	Construction schedule has yet to be confirmed	N/A	Nil	Nil	Nil	N/A
Total						3,985,712	2,597,079	1,388,633	

Note: Generally, the date of completion/expected operation for a project is determined based on our management's estimate made on best effort basis, taking into account of, inter alia, the expected completion date as stipulated in the contract (if any), the extension period as agreed between our customer and us (if any), the actual construction progress and other factors that our management consider relevant based on our past experience.

As of June 30, 2023, the accumulated revenue, accumulated cost and accumulated gross profit since the commencement of construction of the PPP projects were RMB3,985.7 million, RMB2,597.1 million and RMB1,388.6 million, respectively. The accumulated gross profit margin since the commencement of construction of such projects ranged between 14.2% to 53.1%. During the construction of our PPP projects, we recognize construction revenue in accordance with (i) the progress of construction projects (i.e. percentage-of-completion) which is determined based on the actual construction costs incurred up to date relative to the total budgeted costs and (ii) the gross profit margins agreed in the contract. The gross profit margin of each PPP project varies depending on, among others, the nature, scope and complexity of the projects undertaken. For the PPP projects which have relatively lower gross profit margins such as the Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, such projects were at the initial stage of the construction work and the work involved and conducted were less complex and therefore the gross profit margins for the initial stage were lower. For the PPP projects of (Fourth) Sewage Treatment Plant and Supporting Pipe Network Project of New Town in North of Linfen City, the low gross profit margin was due to the grantor of the project was cost-cautious.

As of the Latest Practicable Date, none of the above PPP projects have experienced any material delay (i.e. delay of more than 12 months from the original completion date as stated in the original contract).

In a PPP project, through a project company established by us or jointly with the government, we act as the project investor and undertake the responsibilities of investment, construction (including engineering and procurement), operation and maintenance of the relevant PPP project. For each of the PPP projects that we participated in as of June 30, 2023, we entered into construction contracts with the relevant project company under similar terms of a EPC contracting project for carrying out engineering and/or procurement and construction work of the relevant PPP project.

Our revenue from a PPP project is principally derived from our construction contracting work during the construction phase of the project (usually within two years), which is similar to our EPC contracting projects where our revenue and costs for each project are recognized by reference to the stage of completion. Compared to a construction contracting project, our role as an investor in PPP projects also enables us to derive revenue from services provided over the operation period of the project.

In comparison with the EPC contracting models, the PPP model involves greater exposure to financing risks of the project, and the capital requirements are generally higher under this model. For details, see "Risk Factors – Risks Relating to Our Business and Industry – PPP projects typically require significant cash outflows and feature longer payback periods and we may require substantial funding for these projects." We have adopted a set of prudent criteria for the selection and risk management of PPP projects, including:

- *Management's experiences and expertise*

  - o Our senior management team are responsible for the general supervision of PPP projects and undertaking of PPP projects. For details of their qualifications and biographies, see the section headed "Directors, Supervisors and Senior Management" in this document.

- *Strict project selection*

  - o We have established a strict PPP project selection system, under which every potential project is thoroughly assessed by the construction investment department . The construction investment business department will team up with the financial and asset department, the legal compliance department and the planning and development department to conduct a preliminary review of the investment in such project.

  - o The report will be discussed at the general manager's working meeting before it is submitted to the Board for approval.

  - o In order for a project to be considered, it must have a reasonable rate of return and be in line with our business focus. We prefer PPP projects for which we are capable of providing the underlying construction contracting work and those requiring not more than 20% of equity investment from us.

- *First-class construction management*

  - o We select PPP projects that are closely related to our principle business of construction contracting, and in line with our strategic focus.

  - o We have undertaken or will undertake the underlying construction work of all PPP projects that we have participated in.

  - o With our experience in the construction contracting business and strong cost control ability, we could increase the profit margins on the construction work of the PPP projects, reduce the risk caused by construction delay or expenses overrun.

- *Well-planned financing*

  - o We finance up to 80% of our investment commitment in a PPP project through loans, and the remainder with our own cash or equity financing.

  - o We plan our financing in advance so that our expected progress revenue can match the timing of our loan repayment.

Our PPP projects involve cooperation with the government to construct and maintain infrastructure projects, they are accounted for as service concession arrangements under IFRIC Interpretation 12 Service Concession Arrangements ("**IFRIC 12**"), because services provided by us during the operation period are deemed to be the public operation services as set under IFRIC 12. For details of the accounting treatment of the PPP projects, see "Financial Information – Critical Accounting Policies, Judgments and Estimates – Accounting treatment of PPP projects."

For our PPP projects, we undertake the financing, construction, operation and maintenance of the project. As a result, we may not be able to accurately project the revenue to be derived from the use of the constructed facility at the bidding stage or are exposed to prolonged fluctuating economic conditions and potential changes in government policies. In addition, PPP projects typically require us to make significant initial investment using our own cash and external financing and this creates cashflow mismatch as we can only receive payments, as service fees, after completion of construction phase throughout the operation period which usually have a span of 10 to 29 years.

Although our PPP projects incur significant initial investment and longer payback period, our Group have built solid relationship with our government partners and are able to utilise our ability in project management to stringently monitor project cost and adopt a cost-effective financing arrangement with integrity principle. Before bidding PPP projects, we engaged consulting companies to conduct detailed analysis and forecast on the future cash flows, revenue and profits to be realised each year during the construction and operation stage. We set and charge fee after calculation to expect full recovery of investments and obtaining of reasonable returns. Our PPP contracts generally contain provisions entitling the Group to receive service income which is calculated by certain pre-determined operating costs (which are subject to periodic review) stipulated in the contracts plus a fixed percentage of such costs. The Group also receives viability gap funding support from the authorities when operating the PPP projects. Our expected payback period for our investments in existing PPP projects range from 7.1 to 12.4 years upon commencement of construction of the PPP projects, which are substantially shorter than the usual concession period ranging from 10 to 29 years. By also taking into account of the fact that our PPP contracts provided guaranteed profit margin percentage, and in view of the above, our Directors believe that the Group can fully recover our investments in all existing PPP projects and all PPP projects currently undertaken by the Group are expected to be profitable.

Customers

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

Our customers mainly include local governments, listed companies, large state-owned groups and private enterprises. During the Track Record Period, our Group had conducted business transactions with SSCO and entities controlled by it, including Shanxi CIG and its associates. In terms of revenue, we derived RMB301.0 million, RMB658.3 million, RMB849.1 million and RMB388.7 million from Shanxi CIG and its associates, whereas we derived RMB519.3 million, RMB632.6 million, RMB687.8 million and RMB376.4 million from related parties controlled by SSCO (excluding Shanxi CIG and its associates) for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. We have been able to establish long-term and stable relationships with our customers by leveraging our track record of providing timely and safe construction contracting services. Most of our large customers have engaged in projects with us multiple times, and we have established long-standing cooperative relations with more than 50 existing customers for more than five years. Our sales to the top five customers in each year during the Track Record Period were no more than 30% of our total sales for the same periods.

The tables below set forth details of the types of our customers for the years indicated.

The table below sets forth the breakdown of revenue by type of customers:

	For the year ended December 31						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
Type of customers	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* *(unaudited)*	*% of total revenue*	*RMB'000*	*% of total revenue*
State-owned and state-holding enterprises/ government authorities (excluding listed companies)	3,777,637	37.2%	5,182,552	39.0%	7,458,861	58.1%	2,567,932	44.7%	2,487,541	47.4%
Private enterprises (excluding listed companies)	5,850,046	57.7%	7,587,206	57.2%	4,944,332	38.5%	3,001,616	52.2%	2,596,205	49.5%
Listed companies	520,937	5.1%	508,611	3.8%	441,629	3.4%	178,385	3.1%	164,287	3.1%
	10,148,620	100%	13,278,369	100%	12,844,822	100%	5,747,933	100%	5,248,033	100%

The following table sets forth the breakdown of segment revenue in terms of Related Parties and Independent Third Parties:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000 (unaudited)*	*% of total revenue*	*RMB'000*	*% of total revenue*
Connected parties controlled by Shanxi CIG										
Specialized industrial construction	3,576	0.1%	117,296	0.9%	223,026	1.7%	63,089	1.1%	158,735	3.0%
Specialized auxiliary construction	200,768	2.0%	284,813	2.1%	211,622	1.6%	65,731	1.1%	67,480	1.3%
Other construction	74,827	0.7%	67,662	0.5%	239,889	1.9%	44,257	0.8%	105,058	2.0%
Non-construction business income	21,842	0.2%	188,549	1.4%	174,561	1.4%	76,885	1.3%	57,466	1.1%
Sub-total	301,013	3.0%	658,320	4.9%	849,098	6.6%	249,962	4.3%	388,739	7.4%
Entities controlled by SSCO (Excluding Shanxi CIG and its associates)										
Specialized industrial construction	55,632	0.5%	126,152	1.0%	353,577	2.8%	66,636	1.2%	200,834	3.8%
Specialized auxiliary construction	120,683	1.2%	209,851	1.6%	9,303	0.1%	17,626	0.3%	6,047	0.1%
Other construction	61,328	0.6%	19,439	0.1%	50,237	0.4%	46,204	0.8%	16,172	0.3%
Non-construction business income	281,643	2.8%	277,192	2.1%	274,648	2.1%	155,702	2.7%	153,351	2.9%
Sub-total	519,286	5.1%	632,634	4.8%	687,765	5.4%	286,168	5.0%	376,404	7.1%

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000 (unaudited)*	*% of total revenue*	*RMB'000*	*% of total revenue*
Other independent third parties										
Specialized industrial construction	5,362,431	52.9%	6,721,455	50.6%	7,014,529	54.6%	3,057,326	53.2%	2,573,002	49.0%
Specialized auxiliary construction	2,318,079	22.8%	2,623,653	19.8%	1,870,138	14.6%	1,028,010	17.9%	847,972	16.2%
Other construction	1,224,381	12.1%	2,000,233	15.1%	1,582,950	12.3%	818,496	14.2%	643,770	12.3%
Non-construction business income	423,430	4.1%	642,074	4.8%	816,243	6.3%	307,971	5.4%	417,620	8.0%
Sub-total	9,328,321	91.9%	11,987,415	90.3%	11,283,860	87.8%	5,211,803	90.7%	4,482,364	85.5%
The Group's investment entity*(Note)*										
Other construction	–	–	–	–	23,521	0.2%	–	–	–	–
Non-construction business income	–	–	–	–	578	0.0%	–	–	526	0.0%
Sub-total	–	–	–	–	24,099	0.2%	–	–	526	0.0%
Total	10,148,620	100%	13,278,369	100%	12,844,822	100%	5,747,933	100%	5,248,033	100%

Note: Investment entity refers to Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd. (山西轉型綜合改革示範區山安瀟河建築產業有限公司) ("**Shan'an Xiaohe**"), which the Company holds 20% equity interest in its issued share capital but is neither a connected party controlled by Shanxi CIG nor an entity controlled by SSCO. The management of the Company confirmed that other than Shan'an Xiaohe, the Company does not have any equity interest in other entities under this category.

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

Sectors that our customers are engaged in	For the year ended December 31						For the six months ended June 30			
	2020		2021		2022		2022		2023	
	RMB'000	*% to our total revenue*	*RMB'000*	*% to our total revenue*	*RMB'000*	*% to our total revenue*	*RMB'000 (unaudited)*	*% to our total revenue*	*RMB'000*	*% to our total revenue*
Government authorities (including PPP projects)	1,876,834	18.5%	2,108,308	15.9%	1,230,446	9.6%	541,204	9.4%	702,932	13.4%
Energy sector	*100,596*	*1.0%*	*102,857*	*0.8%*	*138,671*	*1.1%*	*62,141*	*1.1%*	*134,193*	*2.6%*
Infrastructure sector	*1,623,064*	*16.0%*	*1,862,866*	*14.0%*	*950,065*	*7.4%*	*418,592*	*7.3%*	*502,394*	*9.6%*
Others	*153,174*	*1.5%*	*142,585*	*1.1%*	*141,710*	*1.1%*	*60,471*	*1.0%*	*66,345*	*1.2%*
Non-government authorities										
Energy sector	5,144,123	50.7%	6,230,534	46.9%	6,782,713	52.8%	3,011,155	52.4%	2,413,896	46.0%
Infrastructure sector	2,146,307	21.1%	3,644,401	27.5%	2,509,964	19.5%	1,222,392	21.3%	788,123	15.0%
Others(Note)	981,356	9.7%	1,295,126	9.7%	2,321,699	18.1%	973,182	16.9%	1,343,082	25.6%
Total	10,148,620	100%	13,278,369	100%	12,844,822	100%	5,747,933	100%	5,248,033	100%

Note: Others include customers which are engaged in medical and chemical engineering sectors.

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

	For the year ended December 31,			For the six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Power engineering (including New Energy Engineering)	3,859,726	4,617,320	4,952,325	1,987,622	1,674,907
Petrochemical Engineering	544,873	1,144,116	1,545,420	746,994	1,029,398
Other specialized industrial construction	1,017,040	1,203,467	1,093,387	452,435	228,266
Sub-total for specialized industrial construction:	5,421,639	6,964,903	7,591,132	3,187,051	2,932,571
Urban heating engineering	580,549	611,563	846,802	350,045	177,155
Standardized workshop engineering	857,348	1,136,495	644,351	428,027	477,742
Other specialized auxiliary construction	1,201,633	1,370,259	599,910	333,295	266,603
Sub-total for specialized auxiliary construction:	2,639,530	3,118,317	2,091,063	1,111,367	921,500
Construction of public buildings	324,756	531,135	404,915	98,282	205,052
Residential buildings construction	324,756	969,321	510,896	293,982	229,718
Other construction	711,024	586,878	980,786	516,693	330,756
Sub-total for other construction:	1,360,536	2,087,334	1,896,597	908,957	765,526

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue from sales of LNG	172,593	256,245	308,204	123,162	139,894
Revenue from contract energy management (Revenue from urban central heating)	281,262	276,646	296,598	154,500	220,429
Other non-construction	273,060	574,924	661,228	262,896	268,113
Sub-total for non-construction:	726,915	1,107,815	1,266,030	540,558	628,436
Total:	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033

The revenue generated from our top five customers in each year during the Track Record Period amounted to approximately RMB3,043.1 million, RMB2,236.1 million, RMB3,637.3 million and RMB1,390.6 million representing 29.9%, 16.8%, 28.3% and 26.5% of our total revenue for the same period. In the same period, the revenue from our largest customer amounted to RMB853.5 million, RMB658.3 million, RMB1,197.9 million and RMB388.7 million, representing 8.4%, 5.0%, 9.3% and 7.4% of our total revenue for the same period.

During the Track Record Period, we continue to have designated members of our senior and mid-level management to maintain relationships with major clients by conducting periodic visits to understand their needs and level of satisfaction and to learn about new projects. During the Track Record Period, we mainly procured our customers through participating in open tenders, referral from our existing customers and we also have customers contacting us directly for quotations for prospective construction projects.

The following table set forth our top five customers for the respective periods indicated:

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
For the year ended December 31, 2020							
1	Customer B	A company established in 2017 in the PRC with a registered share capital of RMB360 million based in the PRC, the controlling shareholder of which is a company listed on the main board of the Hong Kong Stock Exchange. Customer B is principally engaging in the development of wind and photovoltaic power generation projects, sales of complete sets of power equipment products, design, construction and consulting services of power energy construction, technology development and technical consulting services of new energy, sales and leasing of mechanical equipment, and installation of mechanical and electrical equipment, with one of its principal place of business being in Shanxi Province.	Specialized industrial construction – electricity construction	Open tender	853,481	8.4%	2019

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
2	Dai County Xinhuaneng Energy Development Co., Ltd (代縣新華能能源開發有限公司)	A company established in 2017 in the PRC and principally engaged in the development of wind power and photovoltaic power generation projects, sales of complete sets of power equipment products, technology development and technical consulting services of new energy, with one of its principal place of business being in Shanxi Province. Dai County Xinhuaneng Energy Development Co., Ltd has a registered share capital of RMB270 million and its controlling shareholder is a company listed on the main board of the Hong Kong Stock Exchange.	Specialized industrial construction – electricity construction	Open tender	657,069	6.5%	2019

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
3	Jingle County Xinfeng Energy Development Co., Ltd (靜樂縣新風能源發展有限公司)	A company based in the PRC with a registered share capital of RMB180 million. Jingle Xinfeng Energy Development Co., Ltd was established in 2017 and its controlling shareholder is a company listed on the main board of the Hong Kong Stock Exchange and it is principally engaging in the development of wind and photovoltaic power generation projects, sales of complete sets of power equipment products, design, construction and consulting services of power energy construction, technology development and technical consulting services of new energy, sales and leasing of mechanical equipment, and installation of mechanical and electrical equipment, with one of its principal place of business being in Shanxi Province.	Specialized industrial construction – electricity construction	Open tender	570,556	5.6%	2019

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
4	Yangchun City Xiangdian New Energy Co., Ltd (陽春市相電新能源有限公司)	A company established in 2014 and based in the PRC with registered share capital of RMB160 million and principally engaged in construction, operation, maintenance and sales of wind power generation projects, electricity sales, sales of wind turbines and supporting systems, provision of wind power generation planning and technical consulting services. The ultimate controlling shareholder of Yangchun Xiangdian New Energy Co., Ltd is a state-owned enterprise, with one of its principal place of business being in Guangdong Province.	Specialized industrial construction – electricity construction	Referral from old customer of the Company	500,350	4.9%	2019
5	Customer H	A company established in the PRC in 1992 with registered share capital of RMB2,402 million and is a wholly-owned subsidiary of a state-owned enterprise. Customer H is principally engaged in provision of land remediation services, construction management services, park management services, non-residential real estate leasing, house leasing, sales of solar thermal power generation products, photovoltaic power generation equipment leasing, research and development of emerging energy technology, conference and exhibition services, property management, parking lot services, with one of its principal place of business being in Shanxi Province.	Specialized auxiliary construction – standardized plant construction and other construction	Referral from old customer of the Company	461,667	4.5%	2018

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
For the year ended December 31, 2021							
1	Shanxi CIG	A state-owned company incorporated and based in the PRC whose principal business is construction, labor subcontracting, construction maintenance, with one of its principal place of business being in Shanxi Province.	Specialized industrial construction, specialized auxiliary construction, other construction, non-construction business	Open tender	658,320	5.0%	2006
2	Jishan County Guochang New Energy Co., Ltd.* (稷山縣國昶新能源有限公司)	A state-owned company established in 2019 with a registered share capital of RMB10 million based in the PRC and is principally engaged in technical promotion, technical development and technical consultation of wind power generation, solar photovoltaic power generation, biomass power generation, natural gas power generation and gas layer power generation, installation and sales of lighting equipment, with one of its principal place of business being in Shanxi Province.	Specialized industrial construction – electricity construction	Referral from old customer of the Company	500,003	3.8%	2021

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
3	Customer J	A government unit based in the PRC and principally engaged in the provision of services for various experts and intellectuals to carry out academic exchanges, scientific and technological strategies, technical promotion and other activities, and organize experts to carry out various scientific research activities and various technical promotion, scientific and technological consultation, project demonstration, with one of its principal place of business being in Shanxi Province.	Other construction – residential construction	Open tender	419,001	3.2%	2020
4	Customer K	A company established in 2019 with a registered share capital of RMB20 million whose ultimate controller is a state-owned enterprise based in the PRC and is principally engaged in installation and maintenance of power facilities, power supply, wind power generation, solar photovoltaic power generation and technical consultation for technology development, with one of its principal place of business being in Hebei Province.	Specialized industrial construction – electricity construction	Referral from old customer of the Company	339,337	2.5%	2021
5	Customer L	A privately-owned company established in 2020 and based in the PRC with a registered share capital of RMB1 million and principally engaged in electricity and heat production and supply industry, with one of its principal place of business being in Shanxi Province.	Specialized industrial construction – electricity construction	Referral from old customer of the Company	319,457	2.3%	2020

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
For the year ended December 31, 2022							
1	Customer M	A company established in 1986 with registered share capital of RMB715 million and based in the PRC and is principally engaged in the survey design consulting, general contracting of power engineering, construction engineering, environmental engineering and other business. Customer M is wholly-owned by a state-owned enterprise whose shares is listed on the main board of the Hong Kong Stock Exchange, with one of its principal place of business being in Shanxi Province.	Specialized industrial construction – electricity construction	Open tender	1,197,943	9.3%	2017
2	Customer P	A company based in the PRC which is principally engaged in new energy technology development, technical services and technical transfer, and development of wind power generation, photovoltaic power generation and biomass power generation projects, with one of its principal place of business being in Shanxi Province.	Specialized industrial construction – power engineering	Open tender	927,682	7.2%	2021
3	Shanxi CIG	Please refer to the disclosure above.	Specialized industrial construction, specialized auxiliary construction, other construction, non-construction business	Open tender	849,098	6.6%	2006

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
4	Customer N	A privately-owned company based in the PRC and was established in 2020 with a registered share capital of RMB10 million. Customer N is principally engaged in the business of power generation, power supply, construction engineering, building engineering construction, energy saving product sales and technical services, with one of its principal place of business being in Shanxi Province.	Specialized industrial construction – electricity construction	Referral from old customer of the Company	377,655	2.9%	2021
5	Customer D	A company established in 2001 and based in the PRC. Customer D has a registered share capital of RMB10.62 billion and was awarded as one of the Fortune 500 companies in 2022. It is principally engaged in mineral resource mining, coal mining, coal processing, coal sales, machinery repair and construction, wholesale and retail of steel products, rolled and forged products, chemicals, building materials, with one of its principal place of business being in Shanxi Province. Customer D is the same entity as Supplier B.	Specialized industrial construction, Specialized auxiliary construction	Open tender	284,898	2.3%	2015

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
For the six months ended June 30, 2023							
1	Shanxi CIG	Please refer to the disclosure above.	Specialized industrial construction, specialized auxiliary construction, other construction and non-construction services	Open tender	388,739	7.4%	2006
2	Customer O	A company established in the PRC in 2013 and is principally engaged in the business of the sales of photovoltaic batteries and parts and system equipment and the relevant technical services, with one of its principal place of business being in Jiangsu Province.	Specialized industrial construction and specialized auxiliary construction	Open tender	340,601	6.5%	2021
3	Customer Q	A company established in the PRC in 2020 with a registered share capital of RMB81.6 million. It is primarily engaged in the business of energy storage technology services, development, consultation and promotion of technical services, research and development of emerging energy technologies, construction of landscaping projects, sales of photovoltaic, mechanical and electrical equipment, electrical installation services etc., with one of its principal place of business being in Guangdong Province.	Specialized industrial construction	Open tender	283,069	5.4%	2022

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount *RMB'000*	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
4	Customer R	A company established in the PRC in 2020 and is primarily engaged in new energy technology development and consultation, sales of raw materials and chemicals, leasing and maintenance of construction machinery and trading, with one of its principal place of business being in Shanxi Province.	Specialized industrial construction	Open tender	197,737	3.8%	2022
5	Customer S	Government authority of Oinshui County	Specialized industrial construction, other construction and non-construction services	Open tender	180,419	3.4%	2018

To the best knowledge, information and belief of our Directors, apart from Shanxi CIG, all of the above major customers of the Group during the Track Record Period were not connected parties of the Group.

Contract Terms

Our construction contracts specify the major terms of a project, such as pricing, payment schedule, construction schedule, warranty, price adjustment, performance guarantees, settlement upon completion, default and project delays. From time to time, we may enter into supplemental contracts if we are required to provide services beyond the original scope of work.

The major terms included in most of our construction contracts are summarized as follows:

- *Payment schedule*

  o Some of our construction contracting contracts require an advance payment from our customers, normally used to cover various costs incurred in the early stages of the project.

- o Payments for our construction contracting services are generally made in:
  - according to monthly progress;
  - or payment upon achieving certain key milestones set forth in our construction contracting contracts.

- *Performance guarantee*
  - o We may be required to provide a performance guarantee in the form of a deposit, from which the customer is entitled to deduct if we fail to fulfill certain obligations set forth in the construction contracting contract.
  - o In most cases, the performance guarantee will not exceed 10% of the contract value or the amount stipulated in the construction contract. These obligations usually pertain to project quality, project schedule and safety management.

- *Project delays*
  - o If the project is delayed through no fault of ours, including a material expansion of scope of work or the occurrence of a force majeure event, we will normally be granted an extension equal to such delay.
  - o If one party causes a delay in the project schedule that party shall pay liquidated damages to the other party in terms stated in the agreement.
  - o During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material liquidated damages which had an adverse impact on our operation and financial position.

- *Subcontracting*
  - o We subcontract ancillary construction services, including labor subcontracting and specialized construction subcontracting such as waterproof work, foundation construction and installation of fireproofing equipment.
  - o Frequently, according to customary in China's construction industry, we engage subcontractors to provide labor services.
  - o Generally, our customers' approval must be obtained before we engage subcontractors, but labor subcontracting is an exception. See "Business – Subcontracting".

- *Term*
  - o The term of our construction contracts depends on the estimated time required to complete the construction project.
- *Termination*
  - o Generally, the contract will be terminated if the guarantee payment is completed within thirty days after the contract warranty period. Our construction contracts may be terminated by agreement between the parties thereto.

Credit policy

The payment terms and credit policy with the customers are negotiable on a case-by-case basis. We regularly and actively monitor and review the payment period for our customers. Pursuant to our internal control policies, we are required to perform verification procedures on all customers trading on credit terms and to maintain strict control over our outstanding trade receivables.

See "Financial Information – Liquidity and Capital Resources" for a discussion of our trade receivables and bills receivable, and the calculation method of our turnover days of our trade receivables and bills receivable. Our management regularly reviews our overdue balances.

SUBCONTRACTING

During the Track Record Period, we engaged subcontractors to provide certain construction services and labor services for our construction projects on a project-by-project basis.

As it is customary in China's construction industry, aside from personnel in our project management department, we generally do not employ our own construction labor force.

According to our labor services contracts, we typically make progress payments. We train our subcontracted workers in quality, occupational health and safety matters before commencement of each construction project, while the labor subcontracting agent is primarily responsible for complying with and implementing our internal control policies, conducting training of the subcontracted workers and monitoring their adherence to our safety measures and procedures. We are entitled to terminate the contracts or claim damages in the event of delays caused by our labor subcontracting agents. For further details please see "– Labor".

Subcontracting Agreements

The subcontracting agreements typically reflect the principal terms of our contracts with our project owners. Subcontracting arrangements are made on a project-by-project basis, and the duration of each subcontracting agreement generally depends on the timetable, scope of work and other requirements of each project.

We have taken measures to manage our subcontracting costs, including:

- maintaining a list of preferred subcontractors which is regularly reviewed and updated, thereby maintaining long-term business relationships with our preferred subcontractors to secure availability of subcontracting business at reasonable prices;

- engaging subcontractors through a tender and bidding process in which we typically solicit bids from at least three or more qualified potential subcontractors, primarily based on their qualifications, proposed subcontracting fees and track record.

Our customers sometimes require us to obtain their consent before we subcontract. According to our subcontracting contracts, we usually make progress payments to our subcontractors and retain approximately 3% to 5% of the settlement amount of the subcontracted portion until the expiry of the defect liability period. The defect liability periods and other major terms under our subcontracting contracts are usually equivalent to those specified in our contracts with customers.

Our management procedures on subcontractors include:

- adopting a series of strict cost managing measures, which are reviewed regularly;

- designating project management personnel to supervise and manage our subcontractors and holding on-site periodic meetings with subcontractors to discuss their performance, construction progress and conduct quality and safety training. If we identify any performance issues, we will have follow-up discussions with the subcontractors and monitor their rectification measures.

We require our subcontractors to comply with our work safety standards and policies, and to take measures to avoid any safety or other incidents during the course of their services. In the event of any failure by our subcontractors to meet our safety standards, we may cease to work with them or claim damages.

We incorporate subcontractors' work quality, progress, health, safety and environmental protection record into our management system, as we remain responsible to our customers for our subcontractors' contractual performance pursuant to the contracts or applicable laws.

RAW MATERIALS, MACHINERY, EQUIPMENT AND SUPPLIERS

Raw Materials

During the Track Record Period, a substantial portion of our raw materials, equipment and fixtures were procured in China. Our principal raw materials include steel, cable and concrete.

We generally pass the risk of price fluctuations in our raw materials to our customers by introducing price adjustment terms into the construction contracting contracts or applying for price adjustment when the market fluctuates greatly. For the risk of raw material price fluctuations, please refer to "Risk Factors – Our operating results may be significantly affected by changes in the prices and availability of raw materials". We do not keep a significant inventory of raw materials to minimize inventory costs and the risks associated with price fluctuations in raw materials. We refine the project management to achieve zero wastage upon the completion of projects.

During the Track Record Period, we did not experience any material delays or shortages in our supply of raw materials, and we do not anticipate significant difficulties in obtaining alternative sources of supply if necessary. For more information about the effects that changes in the price and availability of raw materials to our operating results, see "Financial Information – Description of Selected Components of our Consolidated Statements of Profit or Loss and other Comprehensive Income – Cost of Sales, Gross Profit and Gross Profit Margin" and, see "Risk Factors – Risks Relating to Our Business and Industry – Our operating results may be significantly affected by changes in the prices and availability of raw materials."

In addition, to maximize our economies of scale and bargaining power, we centrally procure most of the materials. Under this centralized procurement model, we are able to purchase building materials in bulk through our centralized purchase system for our multiple projects to further cut costs. Furthermore, to obtain favorable commercial terms and ensure a stable supply of certain materials, during the Track Record Period, we entered into a strategic cooperation agreement with suppliers.

Machinery and Equipment

We rely on a range of equipment and machinery for our operation. We determine the specification, duration and quantity for equipment and machinery required in each project on a case-by-case basis, taking into account factors such as project size, project nature, height of buildings, cost and resource allocation, and project specification by each project owner. We either lease or use our own equipment and machinery for our construction projects based on an assessment of the project location, our resource allocation and costs.

We also lease multipurpose large construction equipment and machinery such as cranes, excavators and dump trucks to meet the needs of our construction projects and to lower overhead costs for equipment and machinery. For the leased equipment and machinery, leasing companies are responsible for the repair or replacement during the leasing period.

During the Track Record Period, we were able to ensure that sufficient construction equipment and machinery were on our construction projects through effective allocation of our owned and leased construction equipment and machinery.

Suppliers

We have in place a supplier management system, strict procurement policy and approval system. In addition to the potential suppliers other than through public bidding process, we have to purchase raw materials and leasing of equipment and machinery from suppliers selected from a list of qualified suppliers. Our existing qualified suppliers are all Chinese companies. During Track Record Period, if any contract involves the purchase of imported products, we will purchase through traders. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our purchases from the top five suppliers in each year during the Track Record Period were no more than 35% of our total purchases for the same period.

The purchases from our top five suppliers for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 amounted to approximately RMB815.4 million, RMB2,491.5 million, RMB4,927.4 million and RMB2,059.1 million, representing 10.3%, 15.3%, 30.6% and 35.0% of our total purchase amount for the respective years. The purchase from our largest supplier amounted to RMB185.2 million, RMB780.1 million, RMB2,255.1 million and RMB1,073.8 million, representing 2.4%, 4.8%, 14.0% and 18.2% of our total purchase amount for the respective year/period.

To the best knowledge of our Directors after making all reasonable inquiries, save that (i) Shanxi CIG is our Controlling Shareholder; and (ii) we hold 20% of Yu'an Hengchuang, none of our Directors or any of their respective close associates or, any of our Shareholders who own more than 5% of the Shares in issue, had any interest in any of our five largest suppliers for the Track Record Period.

The following table set forth our top five suppliers for the respective periods indicated:

Ranking	Supplier	Principal business	Product purchased or service rendered	Purchase amount *RMB'000*	% of total purchase amount of the Group for such period	Year of commencement of business relationship with the Group
For the year ended December 31, 2020						
1	Shanxi CIG	A state-owned company incorporated and based in the PRC whose principal business is construction, labor subcontracting, construction maintenance.	Purchase of construction materials, labor cost, construction, equipment purchase and lease, service fee	185,152	2.4%	2006
2	Supplier E	A company based in the PRC principally engaged in hazardous chemicals, power equipment and accessories, electronic products, electrical equipment, building materials, plastic products, water treatment equipment and accessories, leasing and sales of machinery and equipment.	Purchase of construction materials, labor cost, construction, equipment purchase and lease, service fee	163,020	2.1%	2017
3	Supplier B	A company established in 2001 and based in the PRC. Supplier B has a registered share capital of RMB10.62 billion and was awarded as one of the Fortune 500 companies in 2022. It is principally engaged in mineral resource mining, coal mining, coal processing, coal sales, machinery repair and construction, wholesale and retail of steel products, rolled and forged products, chemicals, building materials. Supplier B is the same entity as Customer D.	Purchase of construction materials	162,257	2.0%	2015

Ranking	Supplier	Principal business	Product purchased or service rendered	Purchase amount *RMB'000*	% of total purchase amount of the Group for such period	Year of commencement of business relationship with the Group
4	Supplier F	A company based in the PRC principally engaged in construction, engineering, quality inspection of construction works, equipment leasing, sales of materials.	Purchase of construction materials, labor cost, construction, equipment purchase and lease, service fee	159,792	2.0%	2019
5	Supplier C	A company based in the PRC principally engaged in exploration and development of coalbed methane resources	Purchase of construction materials	145,159	1.8%	2018

Ranking	Supplier	Principal business	Product purchased or service rendered	Purchase amount *RMB'000*	% of total purchase amount of the Group for such period	Year of commencement of business relationship with the Group
For the year ended December 31, 2021						
1	Shanxi Chengan Construction Labor Company Limited (山西晟安建築勞務有限公司) ("**Shanxi Chengan**")	A company established in the PRC in 2021 with a registered share capital of RMB10 million whose ultimate beneficial owners are three individuals that are Independent Third Parties of the Group, and principally engaged in construction, construction labor subcontracting, inspection and testing services.*(Note 1)*	Labor cost	780,067*(Note 2)*	4.8%	2021
2	Shanxi CIG	Please refer to the disclosure above.	Purchase of construction materials, labor cost, construction, equipment purchase and lease, service fee	647,012	4.0%	2006
3	Supplier H	A company based in the PRC principally engaged in wind power equipment and components, power engineering and wind power technology, construction.	Payment for materials	590,126	3.6%	2021
4	Envision Energy Co., Ltd.* (遠景能源有限公司)	A company based in the PRC principally engaged in wind power equipment, wind farm, electricity sales, construction, mold lease.	Purchase of construction materials	261,384	1.6%	2020
5	Shanxi Zhibo Energy Conservation and Environmental Protection Co., Ltd. (山西智博節能環保有限公司)	A company based in the PRC principally engaged in new energy projects, construction, lighting equipment, mechanical and electrical equipment.	Purchase of construction materials	212,909	1.3%	2021

Ranking	Supplier	Principal business	Product purchased or service rendered	Purchase amount *RMB'000*	% of total purchase amount of the Group for such period	Year of commencement of business relationship with the Group
For the year ended December 31, 2022						
1	Shanxi Chengan	Please refer to the disclosure above.*(Note 1)*	Labor cost	2,255,062*(Note 2)*	14.0%	2021
2	Shanxi CIG	Please refer to the disclosure above.	Purchase of construction materials; labor cost; construction; lease; equipment purchase; service fee	1,223,605	7.6%	2006
3	Supplier L	A company located in the PRC whose principal business is general equipment manufacturing, electrical machinery and equipment manufacturing, nuclear power generation equipment, wind power generation equipment, renewable energy power generation equipment and other spare parts manufacturing, sales and research and development; industrial control and automation research and development, manufacturing and sales.	Purchase of construction materials	540,474	3.4%	2016

Ranking	Supplier	Principal business	Product purchased or service rendered	Purchase amount *RMB'000*	% of total purchase amount of the Group for such period	Year of commencement of business relationship with the Group
4	Supplier K	A company located in the PRC which is principally engaged in the leasing of construction equipment, general machinery and equipment, leasing, installation and dismantling of formwork, scaffolding steel pipes and accessories; sales of building materials and mechanical and electrical products; leasing of prefabricated houses; Installation of general mechanical equipment and electromechanical equipment; production and sales of ready-mixed concrete, dry-mixed mortar, concrete admixtures, reinforced concrete prefabricated components, cement concrete products, and building materials.	Labor cost; lease	536,849	3.3%	2019
5	Supplier N	A company based in Taiyuan, Shanxi, the PRC, which was founded in 1950 is principally engaged in heavy equipment manufacturing and research and development, mainly serving sectors including metallurgy, mining, hydropower, petrochemical, energy, transportation, coal mining, ocean engineering and etc., through provision of construction equipments and/or construction general contracting services.	Purchase of construction materials	371,392	2.3%	2016

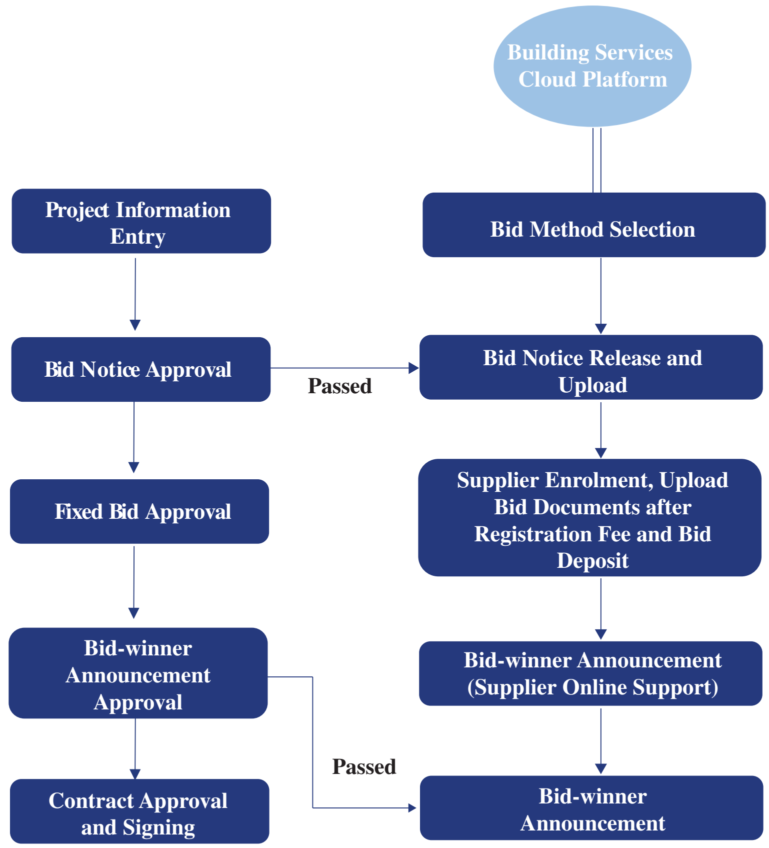
Ranking	Supplier	Principal business	Product purchased or service rendered	Purchase amount	% of total purchase amount of the Group for such period	Year of commencement of business relationship with the Group
				RMB'000		
For the six months ended June 30, 2023						
1	Shanxi Chengan	Please refer to the disclosure above.	Labor cost	1,073,787	18.2%	2021
2	Shanxi CIG	Please refer to the disclosure above.	Purchase of construction materials; labor cost; construction; lease; equipment purchase; service fee	522,358	8.9%	2006
3	Supplier O	A company established in the PRC in 2006 which was primarily engaged in research and development and production of photovoltaic batteries and parts and technical consultancy and after-sales services.	Procurement of construction raw materials	201,556	3.4%	2023
4	Supplier P	A company established in the PRC in 2007 with a registered share capital of RMB4,000 million and principally engaged in the business of construction of infrastructure in development zones, provision of services in development zones and investment and financing services.	Procurement of construction raw materials	137,207	2.3%	2018
5	Supplier C	Please refer to the disclosure above.	Procurement of coalbed methane	124,198	2.2%	2018

Notes:

1. The legal representative of Shanxi Chengan was previously an employee of our Company and Shanxi Yu'an since 2012 and has more than 10 years' experience in respect of provision of labour subcontracting services. The legal representative of Shanxi Chengan joined Shanxi Chengan after he left our Company in 2021. The management of our Company confirmed that prior to leaving our Group, the legal representative of Shanxi Chengan was not a Director, supervisor and/or a member of the senior management of the Group.

2. The increase in our purchase amount from Shanxi Chengan from RMB780.1 million for the year ended December 31, 2021 to RMB2,255.1 million was resulted from (i) the increase in number of tender won by Shanxi Chengan; and (ii) we only commnenced business cooperation with Shanxi Chengan in the second half of 2021.

The following is the general flow chart of our suppliers' bidding process:



We enter into supply contracts with our suppliers on a project-by-project basis. The key terms included in most of our supply contracts are summarized as follows:

- *Pricing*

  o Prices of our raw materials are not fixed under the supply contracts and are determined by a unit price and the total volume of raw materials delivered.

  o The unit price is agreed upon by negotiation with our suppliers or by reference to a government-published guidance price.

- *Payment schedule*

  o Payment schedules for our raw materials vary by supplier and type of raw materials procured.

  o Generally, payments are made in installments upon achieving key milestones in the relevant construction project set forth in our supply contracts.

- *Delivery, inspection and acceptance*
  - o Raw materials are generally delivered by our suppliers to warehouses or construction sites we designate.
  - o Our supply contracts stipulate whether we or our suppliers bear the delivery fees.
  - o Generally, damages arising from such delivery are born by our suppliers. We inspect the quality and volume of raw materials upon delivery, which must meet our specifications before they are accepted.
- *Liquidated damages*
  - o Our suppliers are liable for liquidated damages if:
    - ▪ the delivery is delayed;
    - ▪ the raw materials fail to meet our quality specifications result in a return request; or
    - ▪ quality defects of the raw materials cause our construction projects to be suspended for reworks or cause safety accidents on our construction projects.

During the Track Record Period, our Group, as a tenderee, failed to strictly comply with the bidding procedures under certain projects in accordance with the Tender and Bidding Law of the People's Republic of China (the "**Bidding Law**") and the Regulations on Projects Must Be Tendered (《必須招標的工程項目規定》) (the "**Bidding Regulation**") in some procurement matters. According to relevant laws and regulations, those who fail to implement the bidding procedures as required may be fined between 0.5% and 1% of the contract value. During the Track Record Period, our Group has not been subject to any significant administrative penalties from the relevant departments for failing to perform the bidding procedures in the relevant procurement matters. There has not been any controversies or disputes between the Group and the counterparty in the contract due to the failure to perform the bidding procedures, or claims of invalidity by any party. Therefore, the Directors are of the view that the alleged failure to comply with the Bidding Law will not have a material adverse impact on the financial position and operation of the Company. For further details of the relevant non-compliance events, please refer to "Business – Legal and Regulatory Compliance – Non-compliance events – Bidding procedures".

At the same time, with regard to the bidding and tendering matters involved in the production and operation of the Group, Shanxi CIG, the controlling shareholder of the Group, has issued a letter of undertaking which guarantees that if our Group fails to comply with bidding procedures in accordance with the Tender and Bidding Law of the People's Republic of China, The Implementing Regulations on the Bidding Law of the People's Republic of China and other relevant laws and regulations during the production and operation process and are subject to administrative penalties by the competent authorities, or causing any disputes, disputes, or relevant contracts are found to be invalid, then Shanxi CIG will bear the relevant responsibilities or losses without requiring the Group to pay any consideration. Accordingly, the Directors are of the opinion that the failure to perform the bidding procedures in the procurement matters will not have material adverse impact on the operation and finance of the Group.

Entities who are our customers and also our suppliers

We have customers that also serve as our suppliers during the same year/period during the Track Record Period. We mainly offer construction services to our overlapping customers/suppliers and we mainly procure construction raw materials and/or construction-related services from these overlapping customers/suppliers. During the Track Record Period, to the best knowledge of our Directors, two of our top five customers were also our major suppliers, including Shanxi CIG and Customer D (i.e. which is the same entity as Supplier B), being our top five customers during the Track Record Period.

Reasons for having overlapping customers/suppliers

(1) Nature of transaction

Due to the nature of transactions, we may need to procure certain raw materials and/or lease certain equipments from our customers in order to perform our obligations under the relevant contracts. Typical examples for such transaction model include heating supply projects, electricity engineering projects and EMC energy management projects. In some of our EMC projects, heating supply facilities construction and operation projects and/or concession projects, we are required to operate our customers' facilities for heating supply, water supply and/or electricity generation. In order to supply heat and/or electricity, we are required to lease relevant machinery such as heating pipelines and/or electricity network from our overlapping customers/suppliers in order to perform such contractual obligation. On the other hand, in some of our projects, we may be required to purchase wasted materials such as waste heat, sewage, solid waste and etc. from our customers for heat and electricity generation and/or water supply as the case may be. For instance, in some of our heating supply projects, waste heat produced in the course of the operation of our customers' production facilities may be collected and used as raw material input for heating or electricity supply. The waste heat must be collected from our customers due to the nature of the heat/electricity generation model. As such, we may be required to purchase such waste heat from our customers due to the nature of the transaction. Accordingly, our customers will also inevitably be regarded as our suppliers and become our overlapping customers/suppliers.

(2) Specific requirements from customers

In some of our projects, our customers may require us to adopt raw materials of certain specifications/models to ensure uniformity of buildings or structures of their group. Accordingly, we may be required to procure the relevant construction raw materials from our customers and/or pay a consultancy fee to them in order to meet our overlapping customers/suppliers' specific requirements in our construction process.

(3) Results of tenders

We host open tenders and/or conduct bidding invitations for procurement of raw materials and/or construction-related services for our construction projects in accordance with the relevant PRC laws and regulations. Some of our customers may engage in various stages along the construction industry value chain and may participate in our tenders/bidding invitations for the provision of such raw material and/or services. If such customer is shortlisted in accordance with our internal bidding procedures and their tenders/bids are considered best fit to our demands and/or production needs, we may procure from these customers, making them our overlapping customers/suppliers.

(4) Procurement from SCIG Group

As disclosed in the paragraphs headed "Business – Raw Materials, Machinery, Equipment and Suppliers" and "Business – Business Sustainability", to maximize our economies of scale and bargaining power, we centralize the procurement of most of our construction materials through the SCIG Group in bulk through our centralized purchase system for multiple projects and to manage our construction costs. In the meantime, when any member of the SCIG Group requires construction-related services, internal procurement from the SCIG Group is preferred to save costs. Accordingly, Shanxi CIG is one of our largest overlapping customers/suppliers at group level in terms of both revenue derived from overlapping customers/suppliers and costs paid to them.

(5) Nature of supplies procured

We need electricity, water and heating supply at construction sites for our daily operation when providing construction services. In particular for building facilities renovation or upgrading projects, we may use the electricity, water, heating and other utilities with the existing pipelines and/or supply systems owned by our customers. Accordingly, we may need to pay the relevant utilities expenditure through reimbursements to our customers, inevitably making these customers our overlapping customers/suppliers.

On the other hand, some of our customers are exclusive suppliers of certain utility supplies of certain regions due to the geographical exclusivity of utilities supply, for example heat and electricity within certain regions are supplied through a few companies. These companies may engage us for construction of pipelines and/or other facilities and we may need to purchase utility supplies from them if we have operations in region which also falls within their operating regions.

(6) Transactions with multiple member companies of the same group

During the course of our business, we enter into transactions with multiple groups, many of which are listed companies and conglomerates which have various member companies that enjoy a strong market position in both upstream and downstream sectors across the construction industry value chain and play different roles in a construction project. As a result, we may provide construction services to some member companies while also incidentally procure construction raw materials and/or construction related consultation services from other member companies, regardless whether such transactions are related.

As advised by Frost & Sullivan, it is not uncommon in the construction industry to have overlapping customers/suppliers. According to Frost & Sullivan, having overlapping customer/supplier relationship is beneficial to both sides through the strengthened business relationship and customer tie-in. Industry participants can also gain valuable insights into the needs and demands of each other, while at the same time better ensuring stability of supply and possibly negotiating for better economic/commercial terms. The common practice of having overlapping customers/suppliers may be attributable to the following: (i) certain major suppliers (which are also customers) possess exclusive intellectual property rights, production right(s) over design or production method for and/or license for the supply of certain necessary construction materials, which in turn limits the choices of suppliers available to industry players; and (ii) some major conglomerates may vertically expand along the industry chain, which gives it the capability to provide a wide range of products and/or services or otherwise having different roles and engage in different stages of a construction projects (such as being a developer of a construction project and manufacturer of certain construction materials) leading to situations where some industry players (both directly or through their subsidiaries) may be both suppliers and customers of other industry players. In our case, we provided construction services to overlapping customers/suppliers of various types, depending on the needs of our customers; whereas we mainly procure raw materials for constructions from the relevant overlapping customers/suppliers.

The following table sets forth the total revenue generated from our top ten overlapping customers/suppliers ranked in accordance with the revenue we derived from them for each of the year/period during the Track Record Period:

	For the Years ended December 31,			For the six months ended June 30,
	2020	2021	2022	2023
Revenue derived from the top ten overlapping customers/suppliers *(RMB'000)*	962,913	1,593,370	2,849,498	760,972
Percentage of total revenue (%)	9.5	12.0	22.2	14.5

The following table sets forth the total purchase amount paid to our top ten overlapping customers/suppliers ranked in accordance with the purchase amount we paid to them for each of the year/period during the Track Record Period:

	For the Years ended December 31,			For the six months ended June 30,
	2020	2021	2022	2023
Purchase amount paid to the top ten overlapping customers/suppliers *(RMB'000)*	617,058	1,266,741	1,863,807	833,036
Percentage of total purchase amount (%)	7.8	7.8	11.6	14.2

We make decisions on project by project basis on whether to procure raw materials, equipment and devices from overlapping customers/suppliers or from third-party suppliers. Our procurement department formulates corresponding procurement plans according to the marketing plan, contract orders and inventory and other factors, and finalizes the best cost-effective supplier through open tenders and/or inquiry and comparison for product prices from several suppliers, taking into account the product parameter configuration, payment terms, after-sales commitments and other factors. Also, we consider a number of factors, including suppliers' qualifications, quality, price, reputation and after-sales services of certain products.

During the Track Record Period, the total revenue generated from all our overlapping customers/suppliers respectively amounted to RMB974.1 million, RMB1,612.3 million, RMB2,865.7 million and RMB765.8 million for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively representing 9.6%, 12.1%, 22.3% and 14.6% of our total revenue of respective years/period; whereas the total purchase amount paid to all overlapping customers/suppliers for respective years/period amounted to RMB652.0 million, RMB1,290.0 million, RMB1,870.1 million and RMB833.8 million, respectively representing 8.2%, 7.9%, 11.6% and 14.2% of our total purchase amount of respective years/period.

Our total number of overlapping customers/suppliers for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were 27, 36, 23 and 14, respectively. Out of the overlapping customers/suppliers for the three years ended December 31, 2022 and the six months ended June 30, 2023, we procured less than RMB10 million in supplies from 19, 31, 14 and 8 of such overlapping customers/suppliers for the relevant financial periods. At the same time, we derived less than RMB10 million in revenue from 20, 26, 13 and 10 of such overlapping customers/suppliers for the relevant financial periods.

Therefore, the mangement of our Company was of the view, and the Joint Sponsors concurred, that most of the transactions that were entered into between the Company and the overlapping customers/suppliers amounted to an insignificant amount as compared to the total purchase amount/total sales of our Group.

Our Directors confirm that the transactions with the overlapping customers/suppliers were conducted on arm's length basis and were on normal commercial terms. As set out in the paragraph headed "Reasons for having overlapping customers/suppliers" hereinabove, save for situations where construction materials of certain specifications and/or technical services can only be provided by certain overlapping customers/suppliers, and that the nature of some transactions requires us to purchase from and sell to the overlapping customers/suppliers, to the best of our Directors' knowledge, belief and information, material transactions with our overlapping customers/suppliers were neither inter-connected nor inter-conditional with each other.

During the Track Record Period, some of the transactions between our Company and our top ten overlapping customers/suppliers arose from same transactions, in particular for our EMC projects and some heating supply projects, under which we were required to rent the relevant equipments and/or purchase waste heat from our overlapping customers/suppliers in order to perform our contractual obligations.

The amount of revenue generated from our top ten overlapping customers/suppliers (in terms of purchase costs paid to our overlapping customers/suppliers) under projects we recorded both revenue and costs amounted to RMB561.1 million, RMB398.1 million, RMB420.4 million and RMB170.4 million for the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, representing approximately 5.5%, 3.0%, 3.3% and 3.2% of our total revenue for respective years/period; and the costs arising therefrom amounted to RMB183.5 million, RMB147.1 million, RMB138.0 million and RMB78.4 million for respective year/period, respectively, representing approximately 2.3%, 0.9%, 0.9% and 1.3% of our total purchase costs for respective years/period.

The amount of revenue generated from our top ten overlapping customers/suppliers (in terms of revenue generated from our overlapping customers/suppliers) under projects we recorded both revenue and costs amounted to RMB301.9 million, RMB278.2 million, RMB375.9 million and RMB165.8 million for the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, representing approximately 3.0%, 2.1%, 2.9% and 3.2% of our total revenue for respective years/period; and the costs arising therefrom amounted to RMB177.1 million, RMB147.5 million, RMB137.8 million and RMB78.3 million for respective years/period, respectively, representing approximately 2.2%, 0.9%, 0.9% and 1.3% of our total purchase costs for respective years/period. Save for the above, to the best of our Directors' knowledge, belief and information, none of the revenue or the purchase from any of our top ten overlapping customers/suppliers arose from the same project. Our Directors further confirmed that terms of transactions with all our overlapping customers/suppliers are in line with the market and similar to those transactions with our other customers and suppliers. The management of our Company also confirmed that the transactions entered into with all our overlapping customers/suppliers were conducted on arm's length basis, on normal commercial terms, within the normal range of transaction amount when compared to industry standard and in line with the common practice in the industry.

Save as disclosed above, there were no other major customers which were also our major suppliers during the Track Record Period.

INTELLECTUAL PROPERTY

We protect our intellectual property with various patents, trademarks, domain names and software copyright. As of the June 30, 2023, we owned 17 registered trademarks, 86 domestic computer software copyrights and three filed domain names in China. As of June 30, 2023, we had over 750 valid patents, including more than 60 material invention patents, 700 utility model patents and one design patent in China, while we had one trademark in Hong Kong. For detail of our intellectual property rights, please see "Appendix VI – Statutory and General Information".

We have passed the certification of intellectual property management system, and many projects meet the standards of GB/T29490-2013 intellectual property management system. As of the Latest Practicable Date, we were not aware of any infringement by us of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by us. Further, during the Track Record Period, we were not involved in any disputes or proceedings concerning any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material and adverse effect on our business.

EMPLOYEES

As of June 30, 2023, our Group had 3,680 employees, and the majority of them are based in Taiyuan, Shanxi Province. The following table sets forth the number and breakdown of employees by function:

	Number of employees
Management staff	2,927
Technical staff	251
Production staff	238
Service staff	101
Others	163
Total	3,680[Note]

Note: 675 of our employees participated/was involved in research and development activities, and over 90% of which are the management staff and technical staff of the Group who participates in and/or are associated with research and development activities, including aspects in relation to technological development, construction application and project management.

Among our employees, management staff accounted for approximately 79.5% of the number of employees as of June 30, 2023, mainly because we employed a large number of project managers who are responsible for coordinating and managing project companies and construction projects. Based on our project management and control procedures, our human resources department is required to designate a project management team for each construction project, and the size of the project management team increases according to the scale and complexity of the construction project. Further, in accordance with the practice in the construction industry in the PRC, we engage external labor services for our construction projects, and generally do not employ any construction workers. For details please refer to "Business—Subcontracting".

We believe that our long-term growth depends on the expertise, experience and development of our employees. We mainly recruit through recruitment fairs and on-campus recruitment. We have established a training system for our employees, based on their responsibilities, covering professional knowledge, technical, operational and managerial skills, corporate culture, internal control and other areas. Such programs are designed to foster career development of our employees and invest in the future of our human resources. At the same time, we have established a practice certificate incentive mechanism to encourage employees to obtain practice qualification certificates, forming a good learning atmosphere. The remuneration package for our employees generally includes salaries, bonuses and welfare benefits. In addition, we make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for our employees.

We and our subsidiaries have labor unions that protect employees' rights, help fulfill our economic objectives, encourage employee participation in management decisions and assist us in mediating disputes with union members. Our operating units have labor union branches. We did not experience any material labor dispute during Track Record Period and up to the Latest Practicable Date.

LABOR SERVICES

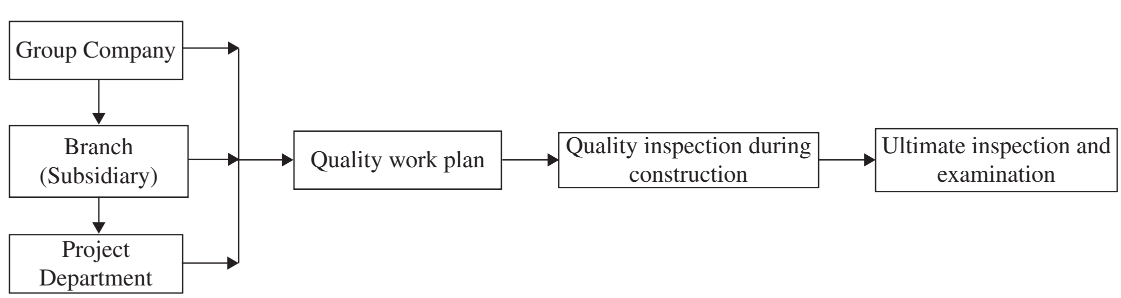
The third-party labor service providers engaged by us are corporate entities principally engaged in providing labor outsourcing services for construction companies in the PRC. They are responsible for recruiting and arranging their own workers to undertake the manual works on-site as required and determined by us.

In particular: (i) the Group Company and its subsidiaries enter into labor outsourcing contracts with labor outsourcing companies. The outsourced positions include auxiliary management personnel, auxiliary construction personnel and logistics service personnel; (ii) labor outsourcing personnel enter into labor contracts with outsourcing units, working within the scope of the Group Company pursuant to the labor outsourcing position; (iii) labor outsourcing costs will be paid by each unit of the Group Company according to the financial process in accordance with the contract, with a corresponding invoice issued by the outsourcing units.

Labor prices are adjusted with market and government guideline prices to ensure sufficient payment of labor costs and avoid us from losses. As we have limited control over our third-party labor service providers, we cannot assure that such service providers will always perform up to our required standard. Please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to detect and prevent bribery or other misconduct committed by our employees, subcontractors or third parties".

QUALITY CONTROL

We place significant emphasis on quality control with regard to the construction and management of our projects. We believe that quality control is essential in establishing and strengthening the reputation of our brand. To ensure the quality of our projects as well as compliance with relevant laws and regulations, we have established a system of quality control policies and procedures to govern each aspect of the development process.



Our engineering management department and technical quality department:

- are responsible for overseeing the overall construction process for each of our projects.

- regularly review our projects under construction and conducts monthly on-site inspections, including overseeing the quality and progress of construction work and construction materials, to ensure all construction work is completed according to relevant timetables and in compliance with our quality standards and applicable national requirements.

In compliance with relevant PRC laws and regulations, we always engage independent certified construction supervision companies for every site to monitor the entire construction process. The construction supervision companies conduct quality inspections on construction materials and on-site workmanship checks to ensure that they meet our prescribed specifications and applicable regulatory requirements.

Our inspection process includes the following:

- all materials and equipment are inspected when entering the site and samples are sent to qualified inspection units for approval. Materials and equipment with unsatisfactory inspection results cannot be used;

- all sub-divided phases of construction are inspected on-site by construction supervision companies and responsible persons from our engineering management department. Only when the inspection declares the work satisfactory at the particular stage and the engineers sign off can the next phase begin; and

- the construction work of a project must be inspected and confirmed by the design unit, surveying unit, construction segment, construction supervision company and us. The quality control standard set by the local government is the minimum threshold and we have established a higher standard for our internal quality control purposes.

The construction contracts we enter into contain warranties provided by our construction segment with respect to quality and safety standards. Our construction segment is required to pay liquidated damages in the event of delays and is responsible for the costs incurred in rectifying construction defects, before and after-completion and delivery.

In addition, we may terminate a construction contract if our construction segment causes any material delay to the development schedule or irreparable damage to the project development. During the Track Record Period, we had not experienced or been subject to any material construction delay, penalty, claim or loss as a result of unsatisfactory work performed by our construction segment.

We achieve sustainable development through quality control. Below is a list of our notable quality control achievements in 2022 and the six months ended June 30, 2023:

- Three First Prizes, three Second Prizes, five Third Prizes and one Excellence Prize of National QC Achievement;

- 10 First Prizes, 18 Second Prizes and 33 Third Prizes of Provincial QC Achievement;

- Four First Prizes and four Second Prizes of Municipal QC Achievement.

- We introduced dynamic management in 56 of our projects, and engaged third-party institutions to supervise the whole process, aiming to craft "Elite Project".

INTERNAL CONTROL

In accordance with applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for the needs of our organization.

We have established a risk management system, primarily composed of departments specialized in construction management department, finance and asset department, market development department, funds management department, human resources department and other functional management departments, through which we monitor, evaluate and manage risks related to construction safety, financial matters, market development, capital management, human resources and other matters that we are exposed to in our business activities.

In connection with the Listing, the Company engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform an assessment on our Group's internal control measures. Despite the fact that some deficiencies were identified in course of the initial Internal Control Review, the Internal Control Consultant had provided recommendations for our Group's consideration to enhance and rectify the deficiencies identified. The Internal Control Consultant had conducted subsequent internal control review and noted that the relevant deficiencies had been rectified by our Group and no further deficiencies were identified.

We plan to review and refine our risk management system regularly, based on changes to our business. Our senior management oversees our risk management systems and reviews the results of our annual risk assessment. Our risk assessment is conducted by a number of risk management departments within our Company and our subsidiaries. These departments conduct annual risk evaluations and regular risk management and controls, and report to senior management about material findings, in a timely manner. Our senior managers engaged in risk management have experience related to construction contracting. We also run training programs for our risk management personnel each year in order to enhance their overall risk management ability and knowledge.

In order to comply with our anti-fraud obligations under applicable laws and regulations, we have established a series of internal policies, measures and procedures, including handling and reporting issues of conflict of interest, commercial secrets, confidentiality obligations, information disclosure, company property, and the behavior principles for dealing with customers or third parties. We have also established a whistleblower mechanism and relevant investigation procedures against fraud, to facilitate the execution of our anti-fraud policies, measures and procedures, and to establish a culture of integrity, so as to prevent the occurrence of any act jeopardizing the interests of the Company and its shareholders.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as policies based on our assessment of our operational needs and industry practice.

During the Track Record Period, in accordance with relevant PRC laws and regulations, we maintained group accident insurance for our personnel onsite our construction projects. Consistent with customary practice in China, we did not carry any business interruption or litigation insurance policies, which are not mandatory according to the laws and regulations of the PRC.

Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. In addition, we had duly maintained all material insurance policies in compliance with the relevant PRC laws and regulations during the Track Record Period material to our operation. During the Track Record Period, we did not experience any material insurance disputes.

OCCUPATIONAL HEALTH AND SAFETY

Our Safety Management System

We have in place stringent internal safety policies to ensure our safe operations and ensure our compliance with relevant PRC laws and regulations. The scope of the safety production accountability system of the units at all levels of the Group Company should cover all the organizations, management departments and positions of the unit. The safety production accountability system of cadres and management departments at all levels should be formulated based on their organizational structure and functions. Responsibilities should be based on the setting of all positions in the unit, and the safety production accountability system for employees in each position should be formulated accordingly.

Our safety and environment-friendly department, which is based at our headquarters, is responsible for overseeing our compliance with relevant PRC laws and regulations, conducting regular inspections of our safety performance, conducting supervision of any material accidents, and ensuring that we maintain the necessary licenses, approvals and permits to operate.

We maintain GB/T28001-2011 certificates (a recommended standard in the PRC for an occupational health and safety management system) for our construction contracting business. Such certificates have a validity period of three years. We first obtained the certificate in 2003 and most recently renewed such certificate in 2021. We did not encounter any difficulty in renewing such certificates. We also organizes accident prevention and management training sessions for our employees on a regular basis and for our new employees on an as-needed basis. During the Track Record Period, we have organized a number of safety training sessions, attracting a total of around 12,780 participants.

Workplace safety security system

For the safety on construction sites, we formulated policies and procedures for comprehensive work safety and occupational health, including a series of administrative measures such as risk identification and classification management and control, safety production inspection and accident investigation and management, education and training management, construction site safety management, major safety risk management, occupational health hazard prevention and control and health monitoring, to assure safety of our workplaces and construction workers. Among them, the specific measures are as follows:

- the safety departments at all levels of the Group, together with relevant departments and personnel, shall carry out daily safety inspection, regular and irregular investigation of accidents and hidden dangers as well as investigation of special accidents and hidden dangers. Meanwhile, we will arrange the full-time safety management personnel of project department to be responsible for daily safety inspection and hidden danger investigation of construction sites;

  - the group company shall conduct safety production inspection and hazards identification at least every once a quarter;

  - the engineering (subsidiary) company and business department shall carry out safety production inspection and hidden danger identification at least once a month for their affiliate project departments;

  - the project department shall conduct safety inspection once a week; and

  - the full-time safety management personnel shall conduct safety inspections every day.

- to identify and prevent major sources of hazards, and to trace and monitor them;

- to develop emergency rescue plans, filing and emergency drills, and to allocate and maintain emergency supplies and equipment;

- we reinforced the safety trainings by providing various training courses to employees at different levels, such as management, team leaders of production teams, frontline workers and new employees. The training courses include operation safety training, transportation safety training, fire prevention training and safety training for on-site assembling which cover various aspects of the working process;

- for labors engaging in operations involving occupational diseases, the project department shall conduct occupational health check before, during and after retirement of the engagement. The cost of the occupational health checkups should be borne by the project department;

- our construction sites provide safety signs and safety equipments including protective gloves, boots and hats;

- for dangerous construction and items, we enhanced internal management, develop a multi-level approval and management process.

At the same time, we formulated a safety production responsibility system in case of any accidents, which requires us to report in a timely manner in accordance with prescribed procedures, and security incidents must be investigated, analyzed and handled in accordance with prescribed procedures. Meanwhile, we have established a safety production accountability system, and hold layers of accountability for the relevant personnel who are held accountable for accidents due to the unsound production safety responsibility system and the failure to perform their responsibilities.

Our Accident Reporting System

Strong and effective safety control

- We were honorably named as an Exemplary Enterprise of Safety Production Standardization in China's Safety Industrial Construction Industry in 2021.
- Our Jincheng Garbage Power Generation Project selected as an Exemplary Project for Learning and Exchange on Safety Production Standardization at Construction Site in 2021.
- Our Blue Valley (蔚藍谷) Project, Jinzhong Industrial Park Project (Phase I), Wanghu Project in Yuci City, Xuanyi Road Construction Project in Xiangyang City and PV Silicon Material Project were named as Exemplary Projects of Safety Production Standardization in China's Safety Industrial Construction Industry in 2021.
- Our Xingtang County Photovoltaic Power Project, Huitoulong Wind Power Field Project in Yangchun City and Decentralized Wind Power Project in Ruicheng County were rated Grade 1 in Safety Production Standardization for Electric Power Construction Projects.

Our occupational health and safety management system includes a reporting and record system for safety accidents on our construction sites. All safety accidents must be immediately reported to the responsible project management team, who reports the safety accident to our branch office and safety and environment-friendly department. Personnel from the responsible project management team are required to arrive on site immediately to oversee the handling of the safety accident.

Any safety accident that resulted in any fatalities or major injuries will be promptly reported to the applicable branch office and the safety and environment-friendly department. We will report the safety accident to the relevant government authority as required by PRC laws and regulations and cooperate with local government authorities to investigate such safety accident. We had not experienced any incident causing fatality or accident resulting in permanent disability during the Track Record Period. There were no claims for material accident or loss of life or property or compensation made to employees during the operation.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our expenditures related to safety and civilization measures[1] were RMB141 million, RMB174 million, RMB189 million and RMB65 million, respectively.

[1] Safety and civilization measures expense mainly include the costs of procurement, renovation and improvement in construction conditions for safety production, as well as fees related to civilized construction, environmental protection, temporary facilities and safe construction at the working site.

Taking into account the above internal control measures in relation to workplace safety implemented by us, the ongoing monitoring and supervision by our Board, we did not have any fatal incidents for the years ended December 31, 2020 and 2021 and 2022 and the six months ended June 30, 2023, such that our fatality rate was zero throughout the Track Record Period and substantially lower than the industry average (as advised by Frost & Sullivan, by way of reference, for each of 2020 and 2021, the fatality rate of construction worker per 100,000 workers were 1.5 and 1.6 respectively), our Directors are of the view that, which the Joint Sponsors concur, our internal control measures in relation to workplace safety are adequate and effective.

COMPETITION

The industries which we operate in are highly competitive. According to Frost & Sullivan, our major competitors include large national and regional construction management companies in the PRC. We believe the principal competitive factors include our operation scale, insights to local markets, price and quality of services, brand recognition and financial resources.

Our brand represents quality and reliability, which we believe allows us to stand out among our competitors in Shanxi Province as well as other provinces across China. For further discussion of our competitive environment, see the sections headed "Industry Overview" in this prospectus.

IMPACT OF COVID-19 PANDEMIC

Since the first quarter of 2020, the outbreak of COVID-19 has had an adverse impact on the global economy. In order to offer a safe working environment for our employees during the epidemic, we have taken emergency measures to ensure our employees' health and sanitation at workplace, including daily disinfection at the construction sites, personnel screening, epidemic prevention supplies storage on the sites and subsidies for building workers. During the period immediately following the outbreak, our businesses were affected by the epidemic response requirements and market demand in China to some extent, and some projects were delayed due to suspension of construction ordered by relevant authorities. However, such delays have not caused any material suspension or delay on milestone dates of our construction projects, and have not imposed material obstruction to our Group's operation. We have taken rectification measures to ease the impact of such delays, such as arranging overtime work. In response to the government's request for state-owned enterprises to, on one hand, carry out effective epidemic prevention control measures, and on the other hand, ensure the resumption of work and production, after careful consideration of the impact and risks of the epidemic on project contract performance, construction period and cost, we proactively followed the steps agreed in each project contract and contact the contractor and other contracting parties within stipulated time limit, and collect necessary supporting materials to minimize losses and maintain the common interests of both parties. Taking PPP projects as example, where special expenses (such as disinfection, increased inspections, etc.) are incurred due to the epidemic, we ensure that such special expenses are included in the total investment or operating costs. Based on the guidance issued by the Shanxi General Office of the Ministry of Housing and

Urban-Rural Development as stipulated in the "Notice of the Shanxi General Office of the Ministry of Housing and Urban-Rural Development in respect of the calculation of cost in construction work during the COVID-19 pandemic dated February 20, 2020 (《山西省住房和城鄉建設廳關於新型冠狀病毒肺炎疫情防控期間建設工程計價有關工作的通知》), where if the epidemic affects the construction period, causing an increase in the interest and/or total investment, we discuss with our government partners to ensure that such cost is borne by the government. If the operation period and the commencement time of government payment is delayed due to the epidemic, resulting in such time being later than the repayment date of the debt funds, we will communicate with financial institutions in a timely manner and strive to make appeals in accordance with national policies. If public places are closed due to the epidemic, and our operating fee income for PPP projects from usage fees is lower than expected, we will discuss with our government partners to ensure that the government will cover the shortfall. As at December 31, 2022, we have incurred additional cost of approximately RMB22.4 million and we have recovered a total sum of RMB20.0 million of additional costs from our government partners. The shortfall of revenue accrued was approximately RMB2.4 million, being the administration cost which is not recoverable from our government partners. We have also implemented plans to ensure our production capacity undisturbed, including allocating sufficient employees on the sites. Given the restrictions on personnel activities due to the COVID-19 situation, it was difficult for us to conduct joint audit and on-site communication with relevant government departments, thus causing delays in completing compliance procedures of such project loans, which in turn affected our collection of receivables. To date, we formulated measures for collecting arrears, in order to exercise dynamic tracking, strict assessment and make bad debt provision in accordance with accounting policies. Furthermore, in response to delay in payment received due to the COVID-19, we integrated various financial resources and provided a mix of business models, including transfer of accounts receivable, work with non-bank institution resources, and fund factoring, to persuade the relevant parties to speed up the support projects and send letters to relevant parties and keep the collection-related files, so as to support project funds as soon as possible. Save for the above, our production and operation have not been materially adversely affected.

Despite the fact that our businesses were affected during the pandemic, during the three years ended December 31, 2022 and the six months ended June 30, 2023, and up to the Latest Practicable Date, there was no confirmed project that was cancelled due to the COVID-19 pandemic. As mentioned above, some of our Group's projects were delayed due to suspension of construction ordered by relevant authorities. However, due to the nature of our business, most of our construction sites were managed and operated in "close-circuit" manner, which all our construction workers will stay and live on-site during the construction period. Accordingly, our construction progress will not be affected by the containment policies imposed by local authorities. Despite mild delays at the early stage of the outbreak of the pandemic as we were still adapting to new policies implemented, our Group was not affected by the pandemic in any material aspects. As at the Latest Practicable Date, the impact of the COVID-19 pandemic on our operation has diminished and our Group's operation has already resumed to normal level. Accordingly, our Directors are of the view that our Group were not experiencing any material adverse impact caused by the containment policies of the PRC government and our Group's operation has not been affected thus far. In light of the above, the Directors are of the view that the COVID-19 pandemic have not caused material adverse impact on the Company's financial performance and its business operation.

In the second quarter of 2022, the PRC has experienced another wave of COVID-19 pandemic outbreak. Nevertheless, with the experience in handling previous waves of the pandemic outbreak, our operation was not substantially affected. Notwithstanding our revenue for the year ended December 31, 2022 experienced a slight drop by 3.3%, such reduction is primarily attributable to the decrease in our construction income from PPP projects as we have three PPP projects under construction stage during the year ended December 31, 2022 as compared to that of six and five for the years ended December 31, 2020 and 2021 respectively. In December 2022, the PRC government has gradually eased the COVID-19 restriction measures and the society is anticipating a gradual resumption to normal business environment in general. During the six months ended June 30, 2023, we have recorded a revenue of RMB5,248.0 million, representing a period-on-period decrease of 8.7%. Such decrease is mainly attributable to project mix. For our EPC specialized industrial construction project, we have a decrease in number of large scale EPC projects for the six months ended June 30, 2023 when comparing with the corresponding period in 2022, due to factors including delay in application procedures for requisite permits to commence construction, change in design in construction layout. Given that the relaxation in COVID-19 restrictive and containment policy was only effected in December 2022 and that the first quarter of the year is usually regarded as the traditional off season for the construction industry, the impact of the ease of policy has yet to be reflected in the our financial performance. Despite the fact that our business operation and financial performance was not significantly affected by the pandemic, the management expects that with the gradual resumption of the normal business environment, the Company's financial results will further improve in accordance with the general business sentiments and market performance.

SEASONALITY

Our business is subject to seasonality, mainly due to the vast territory of China and the different climate conditions of various regions in which we operate. We typically record higher revenues in the second half of the year than in the first half of the year. We attribute this seasonality to the effect that the winter months have on our construction operations in northern China as well as the effect of the Chinese New Year during which most of our projects and constructions are suspended.

We may experience cost increases or delays when conducting our business operations during particular seasons. See "Risk Factors – Risks Relating to Our Business and Industry – Our business operations are subject to epidemics, adverse weather conditions, severe air pollution, natural disasters and other operating hazards" for details.

ENVIRONMENTAL PROTECTION

We strive to mitigate the impact of our business on climate and environment. We take measures to protect the ecological environment during our business operation, so as to minimize adverse environmental impact.

The projects under our management are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments including the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪音污染防治法》) the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). China currently implements classified administration of environmental impact assessment for construction projects in accordance with the respective degree of potential impacts that may be caused by such construction projects.

We have established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure our compliance with international standards and the relevant PRC laws and regulations. We have adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control, air pollution control, as well as solid waste and waste water treatment.

As advised by our PRC Legal Advisors, (i) our production and operation activities comply with relevant PRC environmental protection laws and regulations in material aspects; and (ii) during the Track Record Period, we were not subject to administrative penalties that had any material adverse effect to this issuing due to environmental protection issues.

Environmental, Social and Governance

As one of the 100 most competitive enterprises in China's construction sector, we know that environmental, social and governance (ESG) management is critical to the Company's sustainable development.

We have identified and evaluated ESG material issues, including emissions, use of resources, climate change, employment, labor standards, health and safety, development and training, supply chain management, product responsibility, and anti-corruption. We have also developed relevant policies to lower ESG risks in these areas so as to ensure that we comply with the relevant laws and regulations, identify ESG opportunities and promote the sustainable development of the Company.

ESG governance structure is a strong assurance for achieving ESG management. Currently, we take ESG risk management into consideration in our daily operation. We set up an ESG governance structure including the Board, the ESG committee, and the ESG working group. The Board of our Company is the highest policy-making body with the primary responsibility for assessing and identifying ESG related risks and opportunities of the Company, formulating ESG management policies and strategies, monitoring and regularly reviewing ESG performance. The ESG committee consists of three members, Prof. Wu Qiusheng (吳秋生), Mr. Ren Rui (任銳) and Mr. Wang Jingming (王景明), of which Mr. Ren is the chairman of the ESG committee. For the details of the three committee members, please refer to "Directors, Supervisors and Senior Management". The ESG committee was established to conduct assessment on the importance of internal and external stakeholders, implement board strategies and policies, push ahead with ESG-related matters, monitor progress towards achieving the objectives and report to the Board timely. Simultaneously, we set up an ESG working group comprising members of different departments to promote and coordinate the daily ESG work and report to the ESG committee on a regular basis. We will also provide ESG capabilities training to board members and relevant employees to support their ESG work.

Our Board is responsible for ensuring the establishment of appropriate and effective ESG risk management and internal monitoring systems with our Company. We constantly established and improved the risk control system, regulated the reporting of major operating risk events and took responding measures in a timely manner. We also make a checklist of the rights and responsibilities to conduct investigation of operational risk and promote the normalization of daily supervision and management. For example, in terms of safety risk management, we built the systems of safety management and safety inspection to efficiently identify project risks, established an emergency rescue system and an accountability mechanism for work safety accidents for ensuring quick responses to various emergencies on site and creating a sound and secure environment. In terms of environmental risk management, we set up an emergency response system of environmental pollution, formulated emergency response plans and accountability mechanism in accordance with the Plan on Environmental Protection and Management of Construction Sites (《施工現場環境保護管理方案》) and the System of Environmental Management (《環境管理制度》), identified and made assessment of all sort of pollutions, and dealt with environmental incidents seriously.

The departments of the ESG working group of the Group and their duties are as follows:

	Department	Corresponding ESG issues	ESG Management Responsibilities
Functional department	Listing Office	ESG Management	1. Coordinate various departments to provide environmental, social and governance-related information; 2. Collect and summarize ESG data of various departments, organize and carry out ESG-related work; 3. Submit above-mentioned text information.
	Planning and Development Department	ESG Strategy and Reporting	1. Coordinate and arrange ESG strategic planning and training for the Board; 2. ESG report and material ESG matters shall be reviewed by the Board; 3. Improve the Group's quality, environment and safety management system; 4. Make planning for the Company's future development projects such as new energy transformation and clean heat supply; 5. Submit above-mentioned text and data information.

Department	Corresponding ESG issues	ESG Management Responsibilities
	A1 Emissions A2 Use of Resources A3 The Environment and Natural Resources	1. Identify and ravel out major national and local laws and regulations as well as requirements by regulatory authorities in relation to environmental protection and green production; 2. Manage waste discharge and use of resources of the Company (such as electricity, water, vehicle fuel consumption, air pollutants, toner cartridges, ink cartridges, etc.), including system classification, process management and specific implementation, and relevant statistics work; 3. Establish short-term/medium-term/long-term targets for energy conservation and emission reduction of the Company, and regularly review the progress of achieving the targets, including but not limited to carbon emission reduction, energy use, water resources, packaging materials, etc.; 4. Submit above-mentioned text and data information.
Safety and Environment Protection Department	B2 Health and Safety	1. Identify and ravel out major laws and regulations as well as requirements by regulatory authorities in relation to production safety; 2. Supervise the establishment, maintenance and operation of the Group's safety system and occupational health management system, including organizing and carrying out relevant safety training and education; 3. Analyze the emergency rescue management system and specific implementation of production safety accidents; 4. Carry out the investigation on safety risks and hidden dangers, and manage the health and safety of the Company's employees, including system analyse, process management and specific implementation, such as fire drills, employee psychological counselling, employee physical examination, etc.; 5. Take charge of investigation, handling and analysing safety accidents, make statistics on the number and rate of work-related fatalities and the number of lost days due to work-related injuries in each of the past three years (including the reporting year); 6. Submit above-mentioned text and data information.

Department	Corresponding ESG issues	ESG Management Responsibilities
Technical Quality Department	B6 Product Responsibility	1. Identify and ravel out major national and local laws and regulations as well as requirements by regulatory authorities in relation to engineering quality management, technology management, service quality management, advertising, brand, trademark and intellectual property protection; 2. In terms of project quality management, including the improvement and revision of quality, safety and excellence rules and regulations and the formulation of business processes; 3. In terms of technology management, including technology planning, technology transformation, technology innovation and technology review; 4. In terms of service quality management, including system analyse, process management and specific implementation; 5. Manage the Company's brand, trademark and intellectual property protection matters, including system analyse, solving process management and specific implementation; 6. Identify and ravel out major national and local laws and regulations as well as requirements by regulatory authorities in relation to consumer privacy and rights protection; 7. In terms of consumer privacy and rights protection management, including system analyse, process management and specific implementation; 8. Summarize customer service cases, consumer rights protection cases, customer satisfaction data and other data; 9. Submit above-mentioned text and data information.

Department	Corresponding ESG issues	ESG Management Responsibilities
Human Resources Department	B1 Employment	1. Identify and ravel out major national and local laws and regulations as well as requirements by regulatory authorities in relation to employment, benefits, performance, remuneration and other aspects; 2. Identify and ravel out major national and local laws and regulations as well as requirements by regulatory authorities in relation to employee career development channel; 3. Publicize core concepts such as corporate culture and values and make employee communication; 4. Manage employee recruitment, dismissal, welfare, working hours and other matters, including system analyse and process review; 5. Manage employee benefits of the Company, including system analyse, process management and specific implementation; 6. Summarize employment-related data (including number of employees, turnover rate, etc.); 7. Submit above-mentioned text and data information.
	B3 Development and Training	1. Manage employee training, including system analyse, process management and specific implementation; 2. Summarize employee training data and cases, including total training hours, number of participants and per capita participation time; 3. Submit above-mentioned text and data information.
	B4 Labour Standards	1. Regulate labour standards, including the prevention of child labour and forced labour, and establish relevant remedial measures; 2. Submit above-mentioned text and data information.

Department	Corresponding ESG issues	ESG Management Responsibilities
Disciplinary Committee	B7 Anti-corruption	1. Identify and comply with major national and local laws and regulations as well as requirements by regulatory authorities in anticorruption; 2. Manage the Company's anti-corruption matters, including system analyse, process management and specific implementation; 3. Summarize the Company's anti-corruption work, education and training cases of clean politics and details on corruption litigation cases; 4. Establish relevant measures and reporting procedures for the Company against bribery, extortion, fraud and money laundering; 5. Submit above-mentioned text and data information.
Finance and Assets Department	ESG Management	1. Establish a comprehensive risk management mechanism, including system analyse, process management and specific implementation; 2. Take charge of reviewing the effectiveness of risk management and internal control systems including ESG risks; 3. Submit above-mentioned text and data information.
	A4 Climate Change	1. Identify and analyse risk and management policies in relation to climate changes; 2. Improve the production management system based on the identified risks; 3. Submit above-mentioned text and data information.
Labor union	B8 Community Investment	1. In terms of rural revitalization matters in the charge of the department, including system analyse, process management and specific implementation; 2. Collect statistics on public welfare activities, including donation amount and materials; 3. Submit above-mentioned text and data information.

Department	Corresponding ESG issues	ESG Management Responsibilities
Engineering Management Department	B5 Supply Chain Management	1. Identify and follow major national and local laws and regulations regarding suppliers as well as internal system related to internal procurement; 2. Manage the Company's procurement matters, including system analyse, process management and specific implementation; 3. Summarize suppliers' relevant data, including the number of suppliers introduced from sub-regions, the number of suppliers reviewed, etc. 4. Submit above-mentioned text and data information.
	B6 Product Responsibility	1. In terms of customer complaint handling, including system analyse, process management and specific implementation; 2. Submit above-mentioned text and data information.

Environmental

We make best efforts to reduce the impact of our business activities on the environment and natural resources. We strictly abide by the applicable environment-related laws and regulations on both national and local levels, and have developed systems and policies to continually improve our internal environment management system and monitor our performance in environmental compliance. We also attach great importance to the management of environmental risks.

In addition to complying with relevant laws and regulations on environmental protection, the Group has also formulated Identification and Evaluation Form of Environmental Aspects, List of Key Environmental Factors, Environmental Management Plan, Environmental Emergency Plan and other systems. We implemented the environmental protection policies in the whole process of construction. We have applied dynamic management to every project and constantly promote the concept of green development to minimize the possible impact on the environment and natural resources in our operation. Furthermore, we have formed a sound environmental monitoring system, set up full-time environmental protection and management posts, and arranged dedicated employees for environmental protection and management. We have not appointed independent advisor to engage in workspace safety management, energy and water consumption management, but our employees have received trainings on relevant laws and regulations and local policies and systems, and received irregular reviews of the relevant regulators.

We conduct environmental management and operation control based on our actual conditions. Before construction, we shall examine the natural environment and ecological environment in the construction area, identify and evaluate environmental impact factors, identify and control major pollution sources, and formulate countermeasures against major environmental factors and prepare the corresponding environmental emergency plan. Emergency drills are carried out on a regular basis as required. In case of any environmental safety emergencies and accidents, we immediately initiate response procedures to prevent or reduce harmful environmental impacts. After the environmental emergencies and accidents are eliminated, the main responsible unit shall issue a written accident report to sum up the experience and lessons learned and verify the scientificity, effectiveness and operability of the emergency plan, and revise the environmental emergency plan at least once every three years. In the event of an environmental pollution accident, the responsible unit shall report the relevant information of the accident to the safety and environmental protection department of the Group for record. After any occurrence of environmental pollution accidents, we would immediately organize the relevant departments to set up an investigation team to investigate, analyze and deal with the accident, and report the handling results and relevant information to the safety and environmental protection department of the Group and the Company for record.

We have identified environmental risks related to the Company in our daily operations, including noise, waste, sewage discharge, etc., and conducted compliance management against the relevant risks:

Production Activities of Raw Materials and Identification of Pollutants Generated in the Processes

Raw materials

Raw materials in the production of Shanxi Installation mainly contained construction waste (main sources of which are existing construction waste in the surrounding area and new construction waste), sand gravel aggregate (including certain recycled aggregate), cement (mainly use common portland cement), fly ash (mainly came from surrounding powerplants), various admixtures (including concrete admixtures, colour pigment, etc.) and others.

Manufacturing processes

1. Mobile disposal system of construction waste

The project disposed construction waste on site by mobile construction waste disposal system, and the recycled aggregate therefrom will be transferred to factory by vehicles and used for other production lines in the factory district. The fuels used in the manufacturing processes are the diesel and electric energy which are required for the operation of the equipment, while pollutants include dust and noise.

2. Production line of fixed construction waste

This system is fixed plant producing recycled sand gravel aggregate. The fuels used in the production processes are the diesel and electric energy which are required for the operation of the equipment, while pollutants include dust and noise.

3. Production line of recycled concrete

The fuels used in the production processes are water, electric energy required for the operation of the equipment, diesel required for the vehicle transportation and heat source provided by hot water and air source heat pumps, while pollutants include dust, noise, etc.

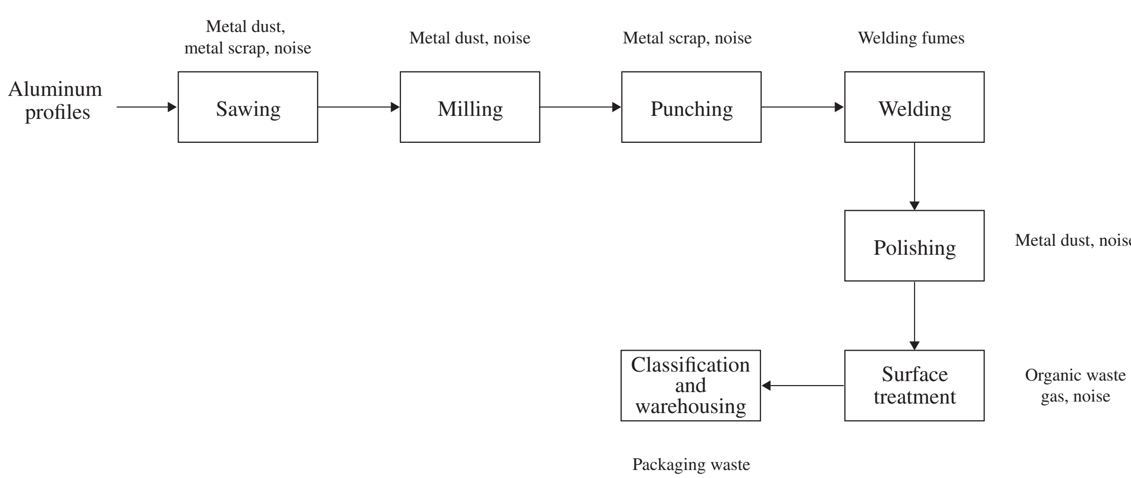
4. Production line of recycled cement stabilized macadam concrete

The fuels used in the production processes are water, electric energy required for the operation of the equipment, diesel required for the vehicle transportation, while pollutants include dust, noise, etc.

5. Production line of recycled high-quality permeable brick

The fuels used in the production processes are water, electric energy required for the operation of the equipment, diesel required for the vehicle transportation, while pollutants include dust, noise, etc.

Production Processes of Aluminum Formwork and Pollution Production Chart



As can be seen from the diagram above, the main pollutant of this project after the construction is organic waste gas, dust-containing waste gas, metal dust, noise, etc.

Waste gas & dust: small metal particles generated during the cutting and punching process of aluminum profiles; welding fumes generated during the welding process; and organic waste gas generated in spraying release agent during the surface treatment of aluminum formwork, during the production processes of new aluminum formwork.

Sewage: the discharged sewage mainly contains impurities such as silt and concrete blocks. After filtration and precipitation by the sedimentation tank, the discharged sewage will be discharged into the municipal sewage pipe network.

Emissions

1. Noise

We have identified that noise mainly comes from construction machinery and transportation vehicles. To reduce the impact of construction on surrounding environment, we strictly abide by the Construction Site Environmental Noise Emission Standards and other relevant regulatory rules. We have developed internal policies and taken a series of measures to prevent noise pollution, such as using equipment that meets national noise emission standards, helping construction workers enhance awareness of preventing noise disturbance to communities, setting up a closed mechanical shed for machines emitting strong noise, and taking effective soundproofing measures to lessen the diffusion of strong noise.

2. Waste

Waste produced during the Company's operation is mainly construction waste and domestic waste. We comply with the requirements of the laws and regulations, develop waste management measures, and dispose of hazardous waste in strict accordance with the compliance process. We actively promote garbage sorting and recycling, and advocate waste recycling.

3. Sewage discharge

Sewage discharged by the Company mainly includes construction wastewater and domestic sewage. The Company disposes of sewage in strict accordance with local laws and regulations as well as regulatory rules. In the meantime, we have made active efforts to prevent seepage, spill and leakage, and have built sewage treatment facilities such as sedimentation tanks and grease traps to reduce sewage discharge.

Use of Resources

1. Energy consumption

Electricity is our main energy consumption, and is also the main source of greenhouse gas produced during our operation. We have developed and promoted energy-saving policies and relevant measures: we adopt equipment, facilities, processes, and technologies that are more environmentally-friendly and less energy-consuming; we cut off electricity to equipment in a timely manner during our operation to reduce unnecessary energy consumption; we strengthen maintenance of electricity-consuming equipment and check and repair such equipment in a timely manner to save electricity; we actively promote the development and utilization of renewable energy; we also work to promote an awareness of energy efficiency and environment protection among our employees to achieve green, low-carbon operation.

2. Water consumption

The water resources consumed by the Company mainly include construction water and domestic water used in the offices. We have continuously strengthened the basic management of water resources during our operation, standardized the process management of recording, analysis and improvement of water consumption, and taken active measures to save water.

We will mainly strengthen water conservation through:

- **Establishing and improving responsibility system for water conservation**

  We should establish institutions responsible for water-saving or designate staff to responsible for the water-saving work, designate staff to responsible for water management at work and living areas; enter into a water use agreement with subcontracting team to attribute responsibility to individuals at construction areas.

- Establishing water use record and water use statistical analysis, specifying water use plan, water-saving targets and water-saving measures, and formulating water use plans for different construction stages. During the construction phase of main structure, we will designate staff to responsible for concrete curing and keeping records of the time and frequency on curing. Concrete is covered with plastic film to effectively control water use. During the decoration stage, the wall surface shall be sprayed with water after the masonry is finished, and the ground water shall be collected in time for plastering.

- **Strengthening the management and maintenance of water-use facilities**

  Reasonable design of pipeline layout, adoption of water-saving appliances, research on water-saving technology and acquisition of water-saving related patents (such as the utility model patent certificate was granted for the water-saving spray curing device of concrete building structure). On-site water points are inspected daily, especially during the commuting time. We will detect leakage and venting in a timely manner, so as to deal with it as soon as possible.

- **Launching the campaign for water conservation**

  We use "Saving water is the obligation for everybody" as our slogan to foster ideas of water saving. We will strengthen water-saving education once a month and upon the on-boarding of new workers.

Climate change

As every sector of society becomes increasingly concerned about climate change, addressing climate change has become an issue of great importance to enterprises. Currently, the Company has identified climate risks and opportunities relating to its operation, and has developed countermeasures:

Type of risk	Description of risk	Management strategy and countermeasures
Physical risk		
Short-term risk	Extreme weather and natural disasters affect our normal operation near construction work environment;	• Develop construction work standards under extreme weather, and develop contingency plans for extreme weather;
Long-term risk	The Company needs to have more refrigeration equipment in place due to higher temperature, leading to higher operation costs; Employees may be unable to work outdoors for a long time when the temperature is very high, thus affecting our operating efficiency;	• Use more energy-efficient refrigeration equipment; • Develop production plans in a more reasonable manner, carefully deploy production organizations, enhance operating efficiency;

Type of risk	Description of risk	Management strategy and countermeasures
Transition risk		
Policy risk	National and local environmental protection policies continue to tighten, more and more items are subject to regulation and increasingly higher requirements, leading to higher corporate management costs;	• Actively learn about compliance requirements and implement various management measures; • Continuously strengthen internal management to deal with monitoring from the national inspection group of environmental protection and local governments;
Technical risk	Fails to identify and apply low-carbon technologies in a timely manner, and thus lags behind peers in the low carbon transformation of products;	• Research new technologies and equipment cooperation methods; • Improve our own ability to research and develop new technologies and new equipment;
Reputational risk	Poor performance in addressing climate change and achieving sustainable development leads to negative feedback from stakeholders.	• Improve the Company's sustainable development capability, establish effective communication channels with stakeholders to maintain continued communication, and actively address climate change.

We regularly conduct environmental education activities to publicize the knowledge of environmental protection to our employees. Our employees and the front-line workers have accepted pre-job education on environmental protection. In addition, a separate leger was set up for environmental protection work to keep records in a timely manner. To improve our ability to deal with emergency case on environmental pollution, we organized emergency drills regularly and enhanced employees' awareness of environmental protection by posting slogans, images, texts and other publicity materials in relation to environmental protection both in construction fields and sites.

As advised by our PRC Legal Advisor, our production and operation activities comply with relevant PRC environmental protection laws and regulations in material aspects and during the Track Record Period, we were not subject to administrative penalties that had any material adverse effect on the offering due to environmental protection issues. However, the PRC government and relevant government authorities may implement additional or stricter environmental protection laws, regulations, policies and standards from time to time in the future. For details, please refer to "Risk Factors – Current or future environmental regulations or enforcement could adversely affect our business operations".

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our costs incurred to ensure compliance with relevant environmental laws and regulations and expenditures related to environmental protection were approximately RMB51.2 million, RMB63.3 million, RMB69.0 million and RMB23.4 million, respectively. We expect our costs incurred to comply with relevant environmental laws and regulations will increase as we expand our business.

Environmental targets

Goals for Environmental Protection of the Company

The Company has set the sustainable development goals for 5 years based on the performance of 2020. By 2025, our targets for carbon reduction, energy saving, water saving and waste reduction are as follows:

➢ Greenhouse gas emission intensity will be reduced by 30% by 2025 compared with 2020.

➢ Energy consumption intensity will be reduced by 30% by 2025 compared with 2020;

➢ Water consumption intensity will be reduced by 6% by 2025 compared with 2020;

➢ Achieve 100% compliance storage and disposal of hazardous waste;

Our environmental protection performance

In pursuit of our social responsibility in environmental protection and sustainable development of our business operations, we adhere to various environmental protection initiatives, such as efficiency in the use of resources, emissions and water and energy consumption. The following table sets forth our environmental performance indicators for the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023.

Indicators	Unit	2020	2021	2022	From January 1, 2023 to June 30, 2023
Exhaust emissions	tonnes	1.0	1.7	1.7	0.9
NOX	Tonne	0.49	1.13	1.14	0.56
SOX	Tonne	0.48	0.12	0.11	0.05
CO	Tonne	0.06	0.09	0.09	0.05
Dust	Tonne	0.00	0.35	0.35	0.28
Total greenhouse gas emissions	tonnes	226,713.1	263,862.9	241,289.1	148,230.8
Greenhouse gas emissions intensity	tonnes/million RMB	22.3	19.9	18.8	28.3
Direct emissions (Scope 1)	tonnes	201,315.2	203,764.4	188,704.0	114,483.4
Indirect emissions (Scope 2)	tonnes	25,397.9	60,098.5	52,585.1	33,747.4
Hazardous waste emission	tonnes	41.1	36.1	47.5	8.3
Waste paint and paint containers	Tonne	25.2	19.6	27.6	5.6
Waste toner cartridges	Tonne	8.1	7.7	2.1	0.8
Waste ink cartridge	Tonne	7.7	7.6	1.9	0.8
Waste fluorescent tube	Tonne	0	0.2	0	0
Used batteries	Tonne	0.1	0	0	0
Other hazardous wastes		0	1.0	15.9	1.1
Hazardous waste emission intensity	tonnes/million RMB	0.0041	0.0027	0.0037	0.0016
Non-hazardous waste emissions	Tonne	8,023.9	9,931.3	10,424.8	3,601.1
Office waste	Tonne	105.1	160.0	96.7	27.9
Domestic waste	Tonne	709.4	1,407.2	918.1	266.3
Paper consumption in office	Tonne	40.1	466.2	980.4	0
Construction waste	Tonne	7,142.5	7,847.8	7,960.2	3,297.7

Indicators	**Unit**	**2020**	**2021**	**2022**	**From January 1, 2023 to June 30, 2023**
Other non-hazardous waste	Tonne	26.8	50.1	469.4	9.2
Non-hazardous waste emission intensity	Tonne/million RMB	0.5274	1.0720	0.8116	0.6862
Sewage discharge	Tonne	28,947.4	16,874.7	68,880.8	54,060.2
Wastewater discharge intensity	Tonne/million RMB	2.85	1.27	5.36	10.30

Energy consumption	**Unit**	**2020**	**2021**	**2022**	**From January 1, 2023 to June 30, 2023**
Energy consumption	MWh	1,063,349.7	1,124,082.8	1,036,690.0	631,086.7
Energy consumption intensity	MWh/million RMB	104.8	84.7	80.7	120.3
Direct energy consumption	MWh	1,027,459.5	1,039,081.5	962,455.5	583,625.4
Indirect energy consumption	MWh	35,890.2	85,001.3	74,234.5	47,461.3

Water consumption	**Unit**	**2020**	**2021**	**2022**	**From January 1, 2023 to June 30, 2023**
Total	tonnes	757,290.1	1,172,430.1	911,065.6	344,640.1
Water consumption intensity	tonnes/million RMB	74.6	88.3	70.9	65.7

Note: The Company has fully reviewed the data of greenhouse gas emissions in scope 2 for prior years to further improve the data quality. Relevant data shall be subject to the disclosures in this prospectus.

The latest environmental performance indicators of the Group for 2022 and compared with the industry average level:

	Our Company (山西安裝) (2022)	**CREC (中國中鐵) (2022)**	**CHALIECO (中鋁國際) (2022)**	**CSCES International (中建國際) (2022)**	**CNBM (中國建材) (2022)**	**BUCG (北京城建) (2022)**
A1.2 Greenhouse gas emissions intensity	0.1677 tonnes of CO_2 equivalent/ RMB ten thousand	0.1502 tonnes/ RMB ten thousand	Not disclosed	9.97 tonnes of CO_2 equivalent/HKD million	922 tonnes/RMB million of operating income	5.71 tonnes of CO_2 equivalent/ person
A1.3 Hazardous waste emission intensity	0.000037 tonnes/ RMB ten thousand	0.012 kg/RMB ten thousand	7.17*10-8 tonnes/ RMB ten thousand	0.001 tonnes/ HKD million	0.036 tonnes/ RMB million of operating income	Total density not disclosed
A2.2 Energy consumption intensity	0.7788MWh/RMB ten thousand	361 KWh/RMB ten thousand income	0.0462 tonnes of standard coal/RMB ten thousand	5.4 MWh/HKD million	1,047 MWh/RMB million of operating income	9.22MWh/person
A2.2 Water consumption intensity	0.716 tonnes/ RMB ten thousand	4.24 m^3/RMB ten thousand income	0.68 tonnes/RMB ten thousand	79.2 m^3/HKD million	498 tonnes/RMB million of operating income	143.43 tonnes/person

Note:

1. Compared with its peers, the density of our Company is at a normal level.

2. Sources of the peer companies' data are: "Environmental, Social and Governance Report and Social Responsibility Report of CREC 2022", "CHALIECO 2022 Environmental, Social and Governance Report", "CSCES International 2022 Sustainability Report", "CNBM 2022 Environmental, Social and Governance Report" and "BUCG 2022 Environmental, Social and Governance Report".

Social

We have identified social risks related to the Company in our daily operations, including employment and labor standards, health and safety, development and training, supply chain management, product responsibility, anti-corruption, etc., and conducted compliance management against the relevant risks:

Employment and labor standards

The Company strictly abides by the relevant laws of the state, complies with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other relevant laws and regulations, and continuously improves the human resources management system. We put great emphasis on employee diversity, assure that employees of different ethnicities, gender and ages have the same treatment, resolutely ban phenomena such as gender discrimination, use of child labor and forced labor, and are committed to building an employee team featuring equality and diversity. We strictly abide by the basic welfare policies of the central and local governments, and pay basic social insurance, such as pension, medical, unemployment, work injury and maternity insurance, as well as housing provident fund for employees in accordance with the laws.

Health and safety

The Company values the occupational health and safety at work. We strictly abide by the Safety Production Law of the People's Republic of China, the Occupational Disease Prevention and Control Law of the People's Republic of China, the Special Equipment Safety Law of the People's Republic of China, and other relevant national and local laws and regulations. We continually improve our health and safety management systems and policies and continually enhance our safety production management capability to lower the risks of safety-related incidents and create a safe working environment for employees.

We have set up a safety production committee, which is responsible for overseeing, inspecting, guiding and coordinating safety production work of the relevant departments and units and for organizing and conducting safety production inspections and carrying out spot checks on potential risks of safety production incidents as well as special inspections. For sudden safety-related incidents, we have developed the Incident Reporting Policy to strictly ensure production safety.

We have developed internal systems such as the Occupational Health Hazard Prevention and Control and Health Monitoring Management System to identify, monitor and manage occupational health hazards. We have identified occupational health hazards at different construction stages, prepared a list of occupational health hazards, and identified major occupational diseases and key control areas to actively prevent and control occupational diseases.

We have also promoted an increased awareness of safety and health among employees by strengthening education and training. We provide training on occupational health and the prevention and control of occupational health hazards to employees both before and during work, spread knowledge about occupational health, and help employees get familiar with operation procedures and learn how to use protection facilities, equipment and protection products in a correct manner to lower occupational hazards.

As advised by our PRC Legal Advisor, the Group and its domestic subsidiaries conducted business activities, in material respects, in compliance with the requirements of the relevant national laws and regulations on production safety, and we have not been subject to any material administrative penalties due to major safety accidents during the Track Record Period.

Development and training

The Company puts great emphasis on employee growth and development, and continuously improves the talent promotion system and training system to provide a clear career development path for employees. We have developed the Training Management Policy, set up an internal training center, and carried out training activities among the Company's employees to help them improve skills, knowledge and management capability in all aspects.

Supply chain management

The Company has adopted strict supplier management policies and procedures. With respect to supplier management, we have introduced a series of policies and rules such as the Management Measures for Materials Procurement and the Management Measures for Tender-Based Procurement to standardize procurement procedures. In the meantime, we set suppliers' qualification in areas such as health, safety and environmental protection as one of the admission criteria, and require that suppliers provide certification in quality, environmental protection and occupational health systems. We have developed procedures for assessing supplier performance, conducted assessment as well as interim and final evaluation of the quality of suppliers' day-to-day operations, and instructed relevant departments to select suppliers based on review results.

The Company also actively protects labor rights at suppliers. The cooperation contracts entered into by us and suppliers have explicitly requested suppliers to comply with the relevant rules, including strictly prohibiting employing illegal workers and child labor, and monitoring their allocation of labor protection supplies.

Product responsibility

The Company strictly abides by the relevant state laws and regulations as well quality standards in the industry. The Company has set up construction quality management system and management structure, developed quality management policies such as the Quality Management Manual, and set clear goals, tasks and specific measures in quality control and management. The Company conducts quality inspections on a regular basis, holds quality analysis meetings, continually improves specific measures to enhance construction quality, and strives to improve the Company's overall quality management capability. In the meantime, we strictly abide by the Intellectual Property Rights Protection Law and other relevant laws and regulations, and have developed the Intellectual Property Rights Management System that meets the national standards and set a clear IPR management process to improve compliance in IPR protection.

As advised by our PRC Legal Advisor, the Group and its domestic subsidiaries conducted business activities, in material respects, in compliance with the requirements of the relevant national laws and regulations on product quality and technical supervision, and we have not been subject to any material administrative penalties due to issues relating to product quality, technical standards and industry norms during the Track Record Period.

Anti-corruption

The Company implements anti-corruption work. To realize sustainable business integrity, we promote fairness and morality, prohibiting any amoral business practices, including bribery, cheating, corruption, extortion, and money laundering. We provide all Directors and employees with on-board training and release updated data regularly, content of the training includes but is not limited to: anti- corruption laws and regulations and the Group's standard regarding this issue, and standards that all Directors and employees need to follow. We strictly abide by the Supervision Law of the People's Republic of China and other relevant laws and regulations. We have developed internal policies such as Shanxi Installation Group's Management Measures for Anti-corruption at Posts.

Shanxi Installation Group's Management Measures for Anti-corruption at Posts (《山西安裝集團崗位廉潔防控管理辦法》) emphasizes that employees must comply with rules and regulations, comply with code of conduct, it also clearly states the accountability of non-compliant actions. Regarding corruption risk control, we focus on actions that would more easily incur corruption, such as material decisions, material project arrangements and material capital usage, and pays attention to risks arising from important business procedures such as bidding and contracting, specialized construction subcontracting and labor subcontracting, procurement and settlement, preventing corruption risks and discover problems in time through levelled-management, accountability and establishing an active correction system, thereby we can remedy in a timely manner and effectively prevent risks from occurring. Also, we established unimpeded petition whistleblowing channels, including via phone, email and mail, encouraging employees to report any violations of discipline and regulations in relation to corruption actions, and protect the whistle-blower in accordance to related internal rules.

To prevent fraudulence, we established the Anti-fraud and Reporting Mechanism Management Measures (《反舞弊與舉報機制管理辦法》), thereby establishing a positive atmosphere of honest business and diligent attitude. The Anti-fraud and Reporting Mechanism Management Measures clearly outlines professional ethics statement and regulations for our directors, senior management and middle-management, and regular employees. It clearly states the below, including but not limited to:

- Management designated permanent anti-fraud institutions, responsible for organizing and executing anti-fraud works on the Company level;

- Management shall be responsible to receive, investigate, report and produce response advice regarding fraud reports, while subjected to supervising;

- Conduct fraudulence risk assessments at the beginning of each year, enact practices that lower fraud chances such as authorization, auditing, and division of power and responsibilities;

- Conduct internal trainings on anti-fraud policy, process and related practices through employee code of conduct, company regulation publication, promotion or LAN;

- Establish fraud whistleblowing channels through phone hotlines and e-mails; and

- Actively support daily anti-fraud works from aspects such as budget and personnel allotment.

During the Track Record Period, the Group had not experienced any material breach of relevant anti-corruption laws and regulations that had a significant impact on the business operation and financial position of the Group.

As advised by our PRC Legal Advisor, the Group and its domestic subsidiaries were not involved in any litigation or criminal offences arising from corruption or bribery issues during the Track Record Period.

In conclusion, we put great emphasis on ESG management and know that effective and efficient ESG management requires continued efforts from the Company. We are working to further improve indicators on environmental and social data. In response, we plan to disclose more qualitative and quantitative ESG information in ESG report.

INFORMATION TECHNOLOGY

Our information technology systems are critical to our operations, including contract management, safety and quality control, documentation management, production management, human resources and accounting and finance. Our information technology systems also support our key operation processes, including project management, procurement, aftermarket customer service, sales and marketing, and bidding. Big data intelligent management and operation center built a digital Shan'an by collecting, cleaning and analyzing the data generated from the production, operation and maintenance of the Group, promoting the digital transformation of the Group. It contains:

i. *Data Decision Center.* It can provide data support for the Group's management personnel at all levels in the early warning, analysis and decision-making of contracts, projects, output values, funds, costs, etc.

ii. *BIM+GIS construction project management platform.* This platform integrates building information models with geospatial data. The combination of BIM + GIS offers people an immersive and intuitive experience while building a full-dimensional and structured information model with 3D and 2D integration, underground and upper-ground integration, indoor and outdoor integration. Our BIM management platform is an enterprise-level BIM management platform for project-level applications that integrates user management, project management, data management, model management, schedule management, quality management, engineering volume, quota management and other functions.

iii. *Integrated business and finance management platform.* Centered on its capability in intensive project management and control, it comprises more than 20 business systems such as comprehensive project management system, financial sharing service platform and financial system. It is a comprehensive management platform which integrates more than 100 modules, and gives access to business, capital and information flow, realizing the integration of business, finance, capital and taxation. It is also the main data source for the Group's big data analysis. The platform adopts a customized development model, and the research and development of the system can be customized according to the management needs of the enterprise, and can also be modified according to the changes of enterprise management, which can better meet the needs of enterprise informatization development.

iv. *Safety production real-time monitoring system.* A video surveillance platform was built by adopting Internet of Things technology, video digital compression processing technology, video surveillance technology and other means. All-round real-time monitoring of the Group's projects under construction, production projects and operation and maintenance projects was conducted through various collection and sensing devices installed on-site to strengthen the safety protection management of the construction site and conduct real-time monitoring of the implementation of safety production measures at the construction site, providing visual video display for the Group's management personnel at all levels of the safety, progress and quality management of the construction site.

v. *Smart operation and maintenance management platform.* The platform combines BIM technology with operation and maintenance and transplants the BIM model of operation and maintenance objects into the platform after lightweight processing. At the same time, through the deployment of various sensors and data collection systems, the operation and maintenance data, energy consumption data, power system, air-conditioning system, lighting system, elevator system and monitoring system data of operation and maintenance projects are transferred to the platform to achieve intelligent, smart, visualized operation and maintenance.

vi. *Smart firefighting cloud system.* It is a self-developed platform using technologies of Internet of Things, big data, cloud computing, artificial intelligence and BIM to build a three-dimensional and full coverage social fire prevention and control system centering on fire early warning, fire prevention and control and fire rescue through firefighting management model, tracking of frontiers of technology and judgment of future trends.

vii. *Smart energy management platform.* Through analysis of the energy flow in the park, we conduct real-time statistics on the operation of photovoltaic, operation of main transformers, power consumption and electricity fees, etc. in the park, and followed by analysis and diagnosis through background data to ensure the matching between equipment and its power consumption while achieving the purpose of reducing costs and increasing efficiency by dynamic adjustment of main transformers to reduce power cost.

In 2021, we promoted the building of cost data modules to provide basic data for our bidding and subcontracting control. We presented unit prices for labor service and material purchase at our monthly cost meetings, aiming to gradually form a price control system, and improve the standardization and effectiveness of the cost meetings by attending and participating in the meetings of our grassroot units.

We utilize our information technology systems to improve the efficiency and quality of our services and strengthen our risk management. From time to time, we procure new or upgrade existing information systems based on our business needs.

During the Track Record Period, we did not suffer any major information technology system failures or cause related losses. However, we may face information technology risks arising from the improper performance or malfunction of our information technology systems on which our operations significantly rely. See "Risk Factors – Risks Relating to Our Business and Industry – We may experience failures in our information technology systems".

PROPERTIES

As of June 30, 2023, we did not have any property interests with a carrying amount representing 15% or more of our total consolidated assets. Accordingly, this prospectus is exempted from compliance with the requirement of submitting valuation reports for all property interests of the Group in buildings set out in section 34(2) of Schedule III to the Companies (Winding Up and Miscellaneous Provisions) Ordinance referred to in the section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in accordance with Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Owned Properties

A. Land

As of June 30, 2023, we owned the land use rights of 12 parcels of lands in the PRC with a total area of 331,244.1 sq.m.. The land we owned in the PRC are mainly used for industrial, commercial and financial, business service, public facilities, office, dormitory, and storage purposes. We have obtained the land use rights certificate or real property certificate for six of the above parcels of land with a total area of 293,880.2 sq.m.. We have the rights to occupy and use the land within the scope specified in the land use right certificate. None of the aforesaid land use rights owned by us is subject to any restrictions such as mortgage, seal-up and freezing.

Land yet to obtain real property certificates

We have six parcels of land with a total area of 37,363.9 sq.m., which are subject to further application for the real property certificate.

We believe that such circumstance will not have a material adverse impact on our production and operations as a whole for the following reasons:

(i) such land accounts for a relatively small area of the total land used by the Group (accounting for 4.7% of the total land area used by the Group of 797,396.4 sq.m.);

(ii) such land merely accommodate spaces for offices and commercial services and are not the vital to the operation of the Group;

(iii) our Controlling Shareholder has undertaken to indemnify the Group for any losses caused by the defects in the ownership of such land.

Based on the above, the Directors are of the view that, which the Joint Sponsors concur, the subject land which are in application of the real property certificates are not crucial to the operations of the Group.

B. Buildings

As of June 30, 2023, we held 85 buildings in the PRC with a total gross floor area of 122,949.2 sq.m.. The buildings we owned in the PRC are mainly used for office, canteen, dormitory, and storage purposes. Among them, 40 buildings have obtained real estate ownership certificates, with a total gross floor area of 92,811.1 sq.m.. As of June 30, 2023, the above-mentioned owned buildings are not subject to mortgage, seal-up or freezing.

Buildings pending for obtaining real estate ownership certificates

The remaining 45 buildings owned by us and accounted for as our non-current assets under our statement of financial position are pending to obtain real property certificates, with a total gross floor area of 30,138.1 sq.m., representing 20.1% of the total gross floor area for the buildings used by us. Those buildings have not been involved in any ownership controversy or dispute, and are mainly used for auxiliary purposes, such as office, canteen, dormitory and storage facility by domestic subsidiaries.

Of which, as at June 30, 2023,

(i) 14 buildings with a total gross floor area of 23,933.4 sq.m. (representing 16.0% of the total gross floor area for the buildings used by us of 149,981.2 sq.m.) are located on the land that will be contributed as capital, and the real estate ownership certificates of them have yet to be obtained by the Group; and

(ii) 31 buildings with a total gross floor area of 6,204.7 sq.m. (representing 4.1% of the total gross floor area for the buildings used by us of 149,981.2 sq.m.) are subject to the completion of the ownership transfer procedures before being registered under the respective members of the Group's name in accordance to the "building for debt-paying" agreements we signed with contractees for construction reasons and recognized in the Group's financial statement. These figures would have been 94 buildings with a total gross floor area of 12,378.3 sq.m. if those 63 buildings not yet recognized in the Group's financial statement are included (see the column named "Number of buildings subject to the completion of the ownership transfer procedures – Recognized in the Group's financial statement – 31 as at June 30, 2023" and "Number of buildings subject to the completion of the ownership transfer procedures – Not yet recognized in the Group's financial statement – 63 as at June 30, 2023" in the first chart below for further details). In the daily operation of the Group, there are situations where we finished related construction as a contractor, but contractees cannot pay the contract prices as agreed, therefore we will enter into the "building for debt-paying" agreements with them to possess buildings in lieu of contract payment.

"Building for debt-paying" arrangement

During the Track Record Period, there were 92 properties being transferred to the Group and 33 properties being transferred out of the Group which were the subject of building for debt-paying agreements entered into by the Group and its customers, subcontractors and suppliers to settle our trade receivables and payables, respectively. According to Frost & Sullivan, "building for debt-paying" arrangements with customers, suppliers and subcontractors are not uncommon in the industry. Our PRC Legal Advisor is also of the opinion that these building for debt-paying agreements are entered into in accordance with the General Principles of the Civil Law of the People's Republic of China (《中華人民共和國民法通則》) and the Contract Law of the People's Republic of China (《中華人民共和國合同法》) for the time being in force, and do not violate the relevant PRC laws and regulations.

As at June 30, 2023, there were 94 properties transferred to and remained with the Group from the Group's customers to settle our trade receivables which had not been transferred out, they were governed under seven "building for debt-paying" agreements entered into between January 2002 to October 2022 and were respectively entered into after or shortly before completion of the relevant construction work. The properties that are subject to "building for debt-paying" arrangements were residential and commercial properties. Save for the properties that were transferred out of our Group (details of which are set out in the table hereinbelow in this section), the maintenance of the aforementioned properties are generally borne by us. Among the 92 properties being transferred to the Group during the Track Record Period, 31 of which were assessed by an independent third party valuer and the remaining 61 properties were assessed by comparable market rates at the relevant time by our officer in the audit department who is a certified public valuer in the PRC and has over 10 years of property valuation experience (the "**Property Valuation Officer**"). The Group has not made any impairment on the outstanding contract payments of the relevant construction works as a result of the entering into of the "building for debt-paying" agreements, because the amount of contract payments settled were not higher than the assessed value of the properties transferred to the Group under the relevant agreements.

The values of the 33 properties being transferred out of the Group to our subcontractors and suppliers during the Track Record Period were assessed by comparable market rates at the relevant time by our Property Valuation Officer. Our trade payables of RMB37.7 million was settled through such "building for debt-paying" arrangements.

Except for those mentioned above, subsequent to the Track Record Period and up to the Latest Practicable Date, no on-going project (i.e. construction work which has not been completed) nor completed project was subject to any "building for debt-paying" agreement, and except for two completed projects which had outstanding trade receivables as at June 30, 2023, the remaining five completed projects had no outstanding trade receivables as at June 30, 2023. For details, please refer to the subsection headed "Summary of outstanding receivables due to the Group from the relevant contractees" below.

The total amount of contract payments settled through the "building for debt-paying" agreements in relation to the 94 buildings that are the subject of "building for debt-paying" arrangement which had not been transferred out as at June 30, 2023 was approximately RMB122.6 million. As a result, the cash inflow from operating activities of our Group during 2002 to 2022 reduced by a total of approximately RMB122.6 million as opposed to the situation if the relevant contract payments had been settled in cash. These 94 buildings are in the process of obtaining real estate ownership certificates, among which 31 of which were owned by our Group and had been accounted for as our non-current assets under our statement of financial position (as disclosed under the subsection headed "Building pending for real estate ownership certificate" above) and the remaining 63 had not been accounted for in such statement as the Conditions (as defined below) had not been fulfilled. It would be difficult for us to sell these buildings in the market for cash before obtaining the relevant real estate ownership certificates.

The properties being transferred to the Group as the settlement of trade receivables by contractees under the "building for debt-paying" agreements represent asset arising from the non-cash consideration. The Group would recognize those properties as property, plant and equipment. The Group has considered that the fair value of the properties, which was the balance of receivables settled as stated in the "building for debt-paying" agreements that would be the deemed cost of the properties on initial recognition. In other words, the building was measured at fair value when it is being used by the counterparty to settle the trade receivables and regarded as the deemed cost at initial recognition. The receivable balance would be derecognized when the Group considers its contractual right to the cash flows from the trade receivable expires. Hence, upon the Group and the contractees have fulfilled all the conditions, set out in the relevant agreements, including but not limited to obtaining certificates the Group shall recognize the properties as the assets and derecognize the receivables balance. Hence, the Group has accounted for such settlement arrangement when the ownership of the properties transferred to the Group. Subsequently, the management of the Group would re-assess the usage of the properties under the normal course of business. The Group may consider to utilize the properties to transfer to the supplier, which were treated as the settlement of trade payables due to suppliers for reducing the burden on cash flow. During the Track Record Period and up to the Latest Practicable Date, the Group disposed of properties to the suppliers in order to offsetting the balance of trade payables due to suppliers. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Hence, the balance of trade payables of the Group settled is the amount stated in the 'building for debt-paying' agreements, which will not be lower than the fair value of the properties disposed as assessed by the Property Valuation Officer. The trade payables and the disposed properties would be derecognized when the ownership of the disposed properties has eventually transferred according to the signed "building for debt-paying" agreements between the Group and the suppliers. The difference between the net book value of the disposed properties and the balance of trade payables of the Group settled as stated in the 'building for debt-paying' agreements was recognized as the gain or loss on disposal of the properties in its consolidated statement of profit or loss and other comprehensive income by the Group.

Among the 92 properties being transferred to the Group during the Track Record Period, 91 properties which had not been accounted for as our non-current assets of our Group's statement of financial position, were used to settle contract payments of approximately RMB68.4 million (i.e. recognize these properties as property, plant and equipment, and derecognize the receivable balance), since there were outstanding conditions as set out in the relevant agreements not fulfilled as at June 30, 2023, including but not limited to the registration and provision of relevant certificate and supporting documents to verify title of the relevant properties, proof of occupation of the properties, settlement proof of miscellaneous fees of the properties such as utilities fees and maintenance fees (the "**Conditions**").

As at June 30, 2023, there were 28 properties transferred out of the Group which had not been accounted for as our non-current assets of our Group's statement of financial position, were used to settle our trade payables of approximately RMB20.5 million and had not been recognized, (i.e. derecognize the trade payables and those properties), since the Conditions as set out in the relevant agreements not fulfilled as at June 30, 2023.

The table below sets out our Group's "building for debt-paying" arrangement illustrating the accounting treatment:

			Total amount of contract payments settled		Valuation method	Total amount of trade payable settled during the Track Record Period		*Notes*
	Number of buildings that fulfilled the Conditions and recognized in the Group's financial statement	**Number of buildings that did not fulfil the Conditions and not yet recognized in the Group's financial statement**	**Recognized in the Group's financial statement** *(RMB')*	**Not yet recognized in the Group's financial statement** *(RMB')*		**Recognized in the Group's financial statement** *(RMB')*	**Not yet recognized in the Group's financial statement** *(RMB')*	
As at January 1, 2020	36	–	86,640,452	–	Note 1	NA	NA	*2*
Addition (transfer to the Group)	–	–	–	–	NA	NA	NA	
Deduction (transfer out of the Group)	(2)	–	NA	NA	NA	10,397,510	–	*3, 4*
As at December 31, 2020	34	–	86,640,452	–		10,397,510	–	
Addition (transfer to the Group from Contractee D)	1	–	602,517	–	Note 5	NA	NA	*6*
Deduction (transfer out of the Group)	–	–	NA	NA	NA	–	–	
As at December 31, 2021	35	–	87,242,970	–		10,397,510	–	
Addition (transfer to the Group from Contractee A)	–	31	–	29,148,742	Note 7	NA	NA	*2, 8*
Addition (transfer to the Group from Contractee E)	–	60	–	39,251,957	Note 5	NA	NA	*9*

	Number of buildings that fulfilled the Conditions and recognized in the Group's financial statement	Number of buildings that did not fulfil the Conditions and not yet recognized in the Group's financial statement	Total amount of contract payments settled		Valuation method	Total amount of trade payable settled during the Track Record Period		*Notes*
			Recognized in the Group's financial statement	Not yet recognized in the Group's financial statement		Recognized in the Group's financial statement	Not yet recognized in the Group's financial statement	
			(RMB')	*(RMB')*		*(RMB')*	*(RMB')*	
Deduction (transfer out of the Group, such buildings were transferees to the Group from Contractee E)	–	(28)	NA	NA	NA	–	20,490,342	*10*
Deduction (transfer out of the Group, such building was transferred to the Group from Contractee D)	(1)	–	NA	NA	NA	1,376,339	–	*4, 6, 11*
Deduction (transfer out of the Group for those buildings already possessed by the Group as at January 1, 2020)	(2)	–	NA	NA	NA	5,445,860	–	*4, 12*
Deduction (completed ownership transfer procedures)	(1)	–	NA	NA	NA	NA	NA	
As at December 31, 2022	31	63	87,242,970	68,400,699		17,219,709	20,490,342	
Addition (transfer to the Group)	–	–	–	–	NA	–	–	
Deduction (transfer out of the Group)	–	–	–	–	NA	–	–	
As at June 30, 2023	31	63	87,242,970	68,400,699		17,219,709	20,490,342	*13*

Notes:

1. 21 of which were assessed by an independent third party valuer and the remaining 15 properties were assessed by the Property Valuation Officer.

2. These buildings were governed under eight "building for debt-paying" agreements with eight contractees entered into between January 2002 and December 2018 prior to the Track Record Period. Among these eight contractees, except for Contractee A where the Group undertook another project during the Track Record Period, the Group did not undertake any other project for these contractees during the Track Record Period. On the other hand, three of these contractees (Contractee A, Contractee B and Contractee C) had outstanding receivables due to the Group as at December 31, 2020 while the remaining five contractees had no outstanding receivables due to the Group as at each of December 31, 2020, 2021 and 2022 and June 30, 2023, please refer to paragraph below for their respective amount of outstanding receivables due to the Group as at each of December 31, 2020, 2021 and 2022 and June 30, 2023.

3. Gain on disposal of the properties of approximately RMB0.3 million was recognized.

4. The buildings transferred out of the Group were transferred to one of our top five suppliers for the year ended December 31, 2022.

5. Assessed by the Property Valuation Officer.

6. This building was governed under a "building for debt-paying" arrangement with Contractee D entered into in 2021 to settle receivables due to the Group. Such receivables arose as a result of compensation from the governmental authority in the form of notice as the relevant land was given to the government in 2018 and we recognized receivables of approximately RMB0.6 million during the year ended December 31, 2018. The building was delivered to the Group to settle the relevant receivables during the year ended December 31, 2021 and was subsequently transferred out during the year ended December 31, 2022. The Group did not undertake any project for Contractee D during the Track Record Period. Please refer to paragraph below for its amount of outstanding receivables due to the Group as at each of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

7. Assessed by an independent third party valuer.

8. These buildings was governed under one "building for debt-paying" agreement with Contractee A entered into in October 2022, where the Group recognized revenue of approximately RMB50.8 million during the Track Record Period from the relevant project. As mentioned in note 2 above, the Group undertook another project for Contractee A prior to the Track Record Period. Please refer to paragraph below for its amount of outstanding receivables due to the Group (for both projects) as at December 31, 2020, 2021 and 2022 and June 30, 2023.

9. These buildings was governed under one "building for debt-paying" agreement with Contractee E, entered into in September 2022, where the Group recognized revenue of approximately RMB241.7 million during the Track Record Period from the relevant project. The Group undertook another project for Contractee E during the Track Record Period which was not subject to any 'building for debt-paying' agreement, where the Group recognized revenue of approximately RMB98.7 million during the Track Record Period and there was outstanding receivable of approximately RMB6.2 million as at June 30, 2023 from such project. Please refer to paragraph below for its amount of outstanding receivables due to the Group (for both projects) as at each of December 31, 2020, 2021 and 2022 and June 30, 2023.

10. These 28 buildings transferred out of the Group related to Contractee E were transferred to a number of our suppliers who are located in places including but not limited to Shanxi and Beijing whose principal businesses include but not limited to leasing of engineering machinery and equipment; construction of earthworks; construction of road maintenance works; construction of municipal works; sale of building decoration materials, machinery leasing, labor contracting, house building contracting, who were suppliers of labor services, machinery leasing, construction materials and construction subcontracting to us.

11. Gain on disposal of the properties of approximately RMB0.8 million was recognized during the relevant financial year.

12. Gain on disposal of the properties of approximately RMB2.6 million was recognized during the relevant financial year.

13. For the 31 buildings recognized in the Group's financial statement as at June 30, 2023, it is expected that the ownership transfer procedures will be completed by the end of 2023.

    For the 63 buildings not yet recognized in the Group's financial statement as at June 30, 2023, it is expected that these buildings will be recognized in the Group's financial statement during the year ending December 31, 2023, and the ownership transfer procedures will be completed by the end of 2023.

14. Contractee A is our customer located in Taiyuan, Shanxi with principal business in real estate development and sales, sales of construction materials, decoration materials and interior decoration.

15. Contractee B is our customer located in Linfen, Shanxi with principal business in urban construction development, real estate development and sales, housing rental, property management services.

16. Contractee C is our customer located in Datong, Shanxi with principal business in property development and sales.

17. Contractee D is a governmental department which is responsible for housing acquisition.

18. Contractee E is our customer located in Taiyuan, Shanxi with principal business in real estate development, operation and construction, engineering management services and leasing.

Please see below for the summary of the movement of Group's "building for debt-paying" arrangement during the Track Record Period:

	Number of building subject to the completion of the ownership transfer procedures		
	Recognized in the Group's financial statement	**Not yet recognized in the Group's financial statement**	**Total**
As at January 1, 2020	36	–	36
Addition	–	–	–
Deduction	(2)	–	(2)
As at December 31, 2020	34	–	34
Addition	1	–	1
Deduction	–	–	–
As at December 31, 2021	35	–	35
Addition	–	91	91
Deduction	(4)	(28)	(32)
As at December 31, 2022	31	63	94
Addition	–	–	–
Deduction	–	–	–
As at June 30, 2023	31	63	94

Summary of outstanding receivables due to the Group from the relevant Contractees

Please see below the respective amount of outstanding receivables due to the Group as at December 31, 2020, 2021 and 2022 and June 30, 2023 for each of Contractee A, Contractee B, Contractee C, Contractee D and Contractee E:

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
	RMB million	*RMB million*	*RMB million*	*RMB million*
Contractee A	26.4	23.8	29.1	29.1 *(note 2)*
Contractee B	1.9	1.9	–	–
Contractee C	8.8	3.0	–	–
Contractee D	0.6	–	–	–
Contractee E	98.4	20.9	78.6	78.6 *(note 3)*

Notes:

(1) Except those mentioned in the subsection headed "Building for debt-pay" arrangement" above, the receivables settled by these contractees during the Track Record Period were in cash.

(2) As at June 30, 2023, the outstanding receivables due from Contractee A to the Group recorded in the Group's financial statement amounted to approximately RMB29.1 million, which is related to a completed project subject to "building for debt-paying" agreement, the Group recognized revenue of approximately RMB24.7 million during the Track Record Period from such project and there was outstanding trade receivable of approximately RMB29.1 million as at June 30, 2023. Once the Conditions in the relevant "building for debt-paying" agreement are fulfilled, the outstanding receivables due from Contractee A to the Group as recorded in the Group's financial statement will be reduced to nil. It is expected that the Conditions will be completed by the end of 2023.

(3) As at June 30, 2023, the outstanding receivables due from Contractee E to the Group recorded in the Group's financial statement amounted to approximately RMB78.6 million, which is related to two projects, including (i) a completed project subject to "building for debt-paying" agreement, the Group recognized revenue of approximately RMB241.7 million during the Track Record Period from such project and there was outstanding trade receivable of approximately RMB72.4 million as at June 30, 2023; and (ii) a completed project not subject to any "building for debt-paying" agreement, there was outstanding trade receivable of approximately RMB6.2 million as at June 30, 2023. Once the Conditions in the relevant "building for debt-paying" agreement are fulfilled, the outstanding receivables due from Contractee E to the Group as recorded in the Group's financial statement will be reduced to approximately RMB39.3 million. It is expected that the Conditions will be completed by the end of 2023, and the remaining amount of RMB39.3 million in relation to the total receivables from Contractee E arising from the two projects specified in (i) and (ii) above will be settled in cash by the end of 2023.

(4) Contractee A and Contractee E have engaged us for projects under our Other Construction business.

While we had "building for debt-paying" arrangements during the Track Record Period, we do not intend to initiate such arrangements following listing.

Safety conditions of our owned properties

The Directors are of the view that as of the Latest Practicable Date, there are no material safety concerns in respect of the aforementioned owned properties which are in the process of obtaining real property certificates. To ensure the safety condition of the properties, the Group has formulated relevant safety and fire safety management systems and has been equipped with relevant fire safety facilities to ensure the safety of properties. For instance, pursuant to our internal fire safety policy, we will conduct regular inspection at least once a month, we are of the view that we are capable to carry out such inspection as we have obtained the Premium Grade Qualification of General Contracting for Municipal Public Engineering Construction and the Grade A Qualification for Fire Protection Engineering Design. As of the Latest Practicable Date, regarding our owned properties pending for obtaining the real estate ownership certificates, the Group has already received the opinion issued by the competent department on the fire safety inspection and acceptance or the Fire Safety Evaluation Report (《消防安全評估報告》) issued by a qualified fire safety evaluation institution, confirming the fire safety was qualified.

In relation to the above-mentioned title defects, SCIG Group has made a commitment to undertake that if the Group or its relative domestic subsidiaries shall bear any legal liability or incur any cost, tax, expense, claim, fine as a result of its owned or leased properties with title defects, or suffer any loss as a result of failure to conduct normal business operation, the Group would be fully indemnified. Therefore, the potential liability on the Group arising from those title defects will be fully covered by SCIG Group, such that the Group will not bear any other compensation liability caused by title defects.

As the owned properties with title defects were mainly occupied by the Group for its office, dormitory purpose or for leasing, representing a small proportion of the area of all properties occupied by the Group, currently there is no dispute on title which will cause material adverse effect on the business operation of the Group. In addition, the Controlling Shareholders have undertaken to indemnify for the loss arising from the properties with title defects. Therefore, our PRC Legal Advisor is of the view that, which our Directors and Joint Sponsors concur, those title defects would not have any material and adverse effect on the overall business operation of the Group.

In respect of the Group's owned properties located on the land for capital contribution, the Group has actively communicated with the competent authorities to obtain the real estate ownership certificates, but there are still uncertainties in the expected processing time due to relevant objective factors. In respect of the properties owned by the Company against its debts, given that these properties are currently vacant or only used for leasing purpose, the relevant properties are not directly used for the production and operation of the Company, the Group has communicated with the relevant contractors and competent authorities to obtain the real estate ownership certificates and we expect to incur a cost of approximately RMB3.7 million to fully rectify the relevant title defects by the end of 2023.

The maximum potential fine in respect of our owned properties with title defects is estimated to be approximately RMB1.4 million.

Leased Properties

A. Land

As of June 30, 2023, we leased four parcels of land in the PRC with a total gross floor area of 466,152.3 sq.m.. The land we leased in the PRC are mainly used for industrial purposes. For the purpose of the land use rights we obtained through lease, our lease of such land is true and valid. During the term of the land lease, our right to use such leased land under the relevant lease contract is protected by PRC laws and regulations.

B. Buildings

As of June 30, 2023, we leased 72 building in the PRC, with a total gross floor area of 27,032.0 sq.m., which are mainly used for offices and dormitories purposes. Of which, the lessor of 38 buildings, with a total gross floor area of 11,541.3 sq.m., have provided certificates of ownership or certificates that prove they have the right to dispose of such leased buildings. Our PRC Legal Advisor is of the opinion that we may use these 38 buildings as agreed in the lease agreements and be protected by relevant PRC laws and regulations.

Leased Properties Not Provided Certificates Ownership by The Lessor

As of June 30, 2023, the lessor of the remaining 34 buildings with a total gross floor area of 15,490.7 sq.m. (representing 10.3% of the total gross floor area for the buildings held and leased by us) did not provide certificates ownership or certificates that prove they have the right to dispose of such leased buildings.

We believe that such leased buildings that the lessor did not provide certificates for owning or proving they have the right to dispose of will not have a material adverse impact on our business and operation results, as:

(i) according to the Civil Code of the People's Republic of China, the lessor has the obligation to guarantee the lessee's right to use the leased property; in the case where the lessee is unable to use or derive income from leased property as a result of a third party's claim, the lessee shall have the right to make request for rent reduction or remission;

(ii) the lessor of 25 buildings, among the aforesaid 34 buildings and with a total area of 13,757.8 sq.m. (representing 9.2% of the total gross floor area for the buildings held and leased by us), have issued a separate commitment or undertook in relevant lease agreements that if the lessee suffered economical loss directly due to the reasons regarding the lessor, the lessor shall compensate the lessee's losses;

(iii) we have not experienced any material adverse effect using these leased buildings for relevant business activities, no government authorities or any other individuals have informed us that we need to stop using the aforementioned buildings or pay fines or compensations;

(iv) if there are controversies or disputes regarding the leased buildings and we need to cease using them or move to a different location, the Controlling Shareholders undertake to be responsible for finding rental housing in time, and we can find a new replacement site locally and relocate to the new location in a relatively short period of time without incurring substantial relocation costs due to the abundant supply of offices and dormitories, and industrial buildings in similar location on the market that enables convenient relocation and low relocation costs when we relocate using our own resources including our manpower and transport vehicles. According to Frost & Sullivan, in 2022, the overall office vacancy is approximately 23% in the PRC, and the average housing vacancy rate in the tier-one cities and tier-two cities are 7% and 12% respectively. The overall supply and demand patterns will ensure the market remains tenant favorable. Around 90% of new supply in tier-1 cities is in decentralized areas, including Shanghai Xuhui Riverside, Shenzhen Qianhai and Guangzhou Pazhou. Buildings will come on stream in prime locations in tier-two cities such as Hangzhou Qianjiang New City, Chengdu Financial City, Dongda Street and Wuhan Zhongnan Road. In particular, the overall buildings vacancy rate in Shanxi Province is estimated to be more than 10% in 2022. In Shanxi Province, the floor space under construction by construction enterprises increased from 158.6 million sq.m in 2017 to 233.2 million sq.m in 2021 and the floor space completed by construction enterprises also increased from 35.5 million sq.m in 2017 to 50.5 million sq.m in 2021. The influx of new buildings completions will ensure the abundant supply of offices, dormitories, and industrial buildings in the PRC, and convenient relocation and low relocation costs when the tenants relocate using their own resources including their manpower and transport vehicles; and

(v) our Controlling Shareholders have made a written undertaking that they will compensate the Company in full for any legal liabilities or any fees, taxes, expenses, claims, penalties suffered by us or any losses incurred from the inability to normal production or operation as a result of defects in ownership of such buildings.

Based on the above, the Directors are of the view that, which the Joint Sponsors concur, the subject leased properties are not crucial to the operations of the Group.

Certain Lease Properties Not Yet Completed Registration and Filing Procedures

As of the Latest Practicable Date, the lease agreements related to 59 buildings with a total gross floor area of 22,282.7 sq.m. did not go through the registration and filing process.

Our PRC Legal Advisor believes that not registering and filing these leases will not affect the legality of the lease agreement and the legal usage of the lease buildings. But relevant local housing authorities may ask us to finish registration within a prescribed time limit, and we may be fined between RMB1,000 to RMB10,000 for late registration. Therefore, we are entitled to use these buildings according to the lease agreements, but we may be subject to fines if we fail to register the lease agreements as required by relevant housing authorities. The maximum potential fine for such non-compliance events will be RMB590,000 based on the number of leased properties that have not been registered as of June 30, 2023.

We believe that not being able to register those lease agreements will not have a material adverse impact on our operation and financial situation, as:

(i) we have not been subject to administrative penalties or improvement requests from any government authorities in the Track Record Period due to the non-registration of leasing agreements, nor have we face any material claims;

(ii) the fine amount in the aforementioned penalties equates to a very small percentage of our most recently audited net asset.

(iii) if we have to terminate the lease or relocate from the defective leased property, the Controlling Shareholders undertake to be responsible for finding rental housing in time, and we can find a new replacement site locally and relocate to the new location in a relatively short period of time without incurring substantial relocation costs due to the abundant supply of offices and dormitories, and industrial buildings in similar locations on the market that enables convenient relocation with low relocation costs when we relocate using our own resources including our manpower and transport vehicles. According to Frost & Sullivan, in 2022, the overall office vacancy is approximately 23% in the PRC, and the average housing vacancy rate in the tier-one cities and tier-two cities are 7% and 12% respectively. The overall supply and demand patterns will ensure the market remains tenant favorable. Around 90% of new supply in tier-1 cities is in decentralized areas, including Shanghai Xuhui Riverside, Shenzhen Qianhai and Guangzhou Pazhou. Buildings will come on stream in prime locations in tier-two cities such as Hangzhou Qianjiang New City, Chengdu Financial City, Dongda Street and Wuhan Zhongnan Road. The influx of new buildings completions will ensure the abundant supply of offices, dormitories, and industrial buildings in the PRC, and convenient relocation and low relocation costs when the tenants relocate using their own resources including their manpower and transport vehicles;

(iv) we have established internal guidelines and enhanced internal control procedures to improve our assessment of new leased properties from a compliance perspective, so as to ensure compliance with applicable PRC laws and regulations; and

(v) our Controlling Shareholders have made a written undertaking that they will compensate the Company in full for any legal liabilities or any fees, taxes, expenses, claims, penalties suffered by us or any losses incurred from the inability to normal production or operation as a result of defects in ownership of such buildings.

Based on the above, the Directors are of the view that, which the Joint Sponsors concur, the subject leased properties are not crucial to the operations of the Group.

LEGAL AND REGULATORY COMPLIANCE

Legal Proceedings

We are a party to a number of legal proceedings arising in the ordinary course of our business.

As of June 30, 2023, there were two material pending litigation cases where we were the defendant and the maximum liability of each case is likely to be over RMB10 million:

(i) On July 29, 2021, a plaintiff ("**Plaintiff A**") filed a lawsuit with the Intermediate People's Court of Taiyuan City, Shanxi Province, seeking an order for the Company to perform the equipment purchase contract entered into with it and pay the purchase price of approximately RMB21.6 million (the "**Equipment Purchase Contract**"). Plaintiff A claimed that it delivered part of the equipment as contracted, but the Company failed to pay it the full amount of the purchase price as agreed. We filed a counterclaim, claiming that the equipment delivered by Plaintiff A did not meet the technical requirements and contractual provisions, and hence requested an order to terminate the Equipment Purchase Contract and that Plaintiff A should refund the payment of approximately RMB7.6 million and pay a liquidated damages of approximately RMB10.9 million ("**Our Request**"). On November 8, 2021, the Intermediate People's Court of Taiyuan City, Shanxi Province (the "**Intermediate Court**") ruled that the Equipment Purchase Contract and the Technical Agreement entered into between the parties were terminated, the Company was ordered to pay Plaintiff A approximately RMB14.5 million for the goods, and the other claims of Plaintiff A and the Company were dismissed. the Company filed an appeal to the Shanxi High People's Court (the "**Court of Appeal**") on December 29, 2021 and the Court of Appeal ruled that the case shall be re-trialed at the Intermediate Court. On March 6, 2023, we once again filed a counterclaim against Plaintiff A in relation to Our Request (the "**Second Counterclaim**"). On April 23, 2023, the Intermediate Court has completed the re-trial and ruled that the Equipment Purchase Contract was terminated and the Company was ordered to pay Plaintiff A approximately RMB13.7 million for the goods and the Company has filed a further appeal on May 12, 2023.

On September 21, 2023, the trial for the case commenced at the Shanxi Provincial Higher People's Court and was being tried in second instance. We had not made any provision regarding this case as the Directors considered that, which the Joint Sponsors concur, the Group has already recognized the unsettled cost for the goods received in the amount of approximately RMB14.2 million, and it would not have any material adverse effect on Group.

(ii) On April 19, 2023, the Company received a notice dated April 14, 2023 from the Intermediate People's Court of Hohhot (the "**People's Court**") that a plaintiff ("**Plaintiff B**") filed a lawsuit with the People's Court, seeking an order for, among others, (i) the confirmation of contractual relationship between Plaintiff B, the Company and the project owners for the construction work of the lighting works of 241 buildings in Hohhot (the "**Lighting Works of 241 Buildings**"), (ii) the confirmation of supply of materials relationship between Plaintiff B, the Company and the project owners for the Lighting Works of 241 Buildings, and (iii) the payment of approximately RMB117.7 million, including RMB108.0 million as contract sum and the remaining as interest payment in relation to the Lighting Works of 241 Buildings owed by the Company. Subsequently, the requests of (i) and (ii) above were no longer sought by Plaintiff B during subsequent trial proceedings, such that Plaintiff B is only seeking an order for (iii) in relation to the payment of approximately RMB117.7 million.

In their claim, Plaintiff B stated that the Company and District Government of Huimin District entered into a framework agreement in relation to the construction of public infrastructure (in which Plaintiff B is not a contracting party) in Hohhot in July 2017 (the "**2017 Contract**"), and the 2017 Contract was subsequently converted into an EPC project where the Company had become the general contractor (the project has been completed and the final scope of work includes the construction work of the lighting works of 14 buildings in Hohhot (the "**Lighting Works Under EPC Project**"), and other agreed work scope including but not limited to a number of streetscape improvement projects, public toilet upgrading construction project, comprehensive improvement project of communities and street maintenance work (the "**Other Agreed Work**")).

Plaintiff B alleged that it understood from two individuals ("**Individual X**" and "**Individual Y**", respectively, and collectively the "**Individuals**", both of whom are also named in the lawsuit and have no contractual relationship with the Company under the aforementioned projects), who are the business partners of Plaintiff B and are responsible for managing Plaintiff B's operations and business activities in Inner Mongolia that the Company agreed to have Plaintiff B be responsible for the Lighting Works of 241 Buildings, and as such, Plaintiff B subsequently signed a contract with Individual X in July 2017 (the "**Contract with Individual X**") such that Individual X shall be responsible for managing the project. Being the business partners of Plaintiff B, the Individuals then procured materials on behalf of Plaintiff B and completed the Lighting Works of 241 Buildings. As such, Plaintiff B is seeking for relevant payments for the completed Lighting Works of 241 Buildings. Separately, during the hearing on July 3, 2023, in relation to the same disputed subject matter of the Lighting Works of 241 Buildings, Individual X requested Plaintiff B and the defendants (including the Company) for the outstanding contract payment in relation to the Contract with Individual X (the "**Claim from Individual X**"), as Individual X held the view that Individual X carried out the Lighting Works of 241 Buildings pursuant to Contract with Individual X and shall therefore be entitled to the contract payment pursuant to the Lighting Works of 241 Buildings. However, the Company is of the view that instead of the alleged Lighting Works of 241 Buildings with a contract sum of RMB108.0 million, it only entered into contractual relationship with Plaintiff B in 2018 in relation to lighting works for five buildings which was part of the Lighting Works Under EPC Project (the "**2018 Agreement**") with a contract sum of RMB9.3 million. Furthermore, the Company has no knowledge of the exact scope of the alleged Lighting Works of 241 Buildings and there is no evidence indicating the Company is the general contractor of the alleged Lighting Works of 241 Buildings. Similarly, the Company has not entered into any agreement and has no knowledge of the responsible parties of the alleged Lighting Works of 241 Buildings. In accordance with the 2018 Agreement (being the only agreement the Company entered into with Plaintiff B), the Company has already paid RMB9.0 million to Plaintiff B, while the remaining RMB0.3 million was temporarily withheld due to current uncertainties and complications with Plaintiff B and Individual Y in the course of the current litigation: (1) to the best knowledge of the Directors, Individual Y was involved in both the 2018 Agreement signed with Plaintiff B, and additionally, the construction work of the lighting works of nine buildings of the EPC project with another subcontractor (the "**Other Subcontractor**"), where there was outstanding invoice amount of RMB5 million to be provided by the Other Subcontractor to the Company even though the project has already been completed and contract sum has already been fully settled; and (2) while the Company acknowledges the payment obligation of the outstanding sum of RMB0.3 million, the Company was advised by the legal advisor in relation to the lawsuit, and confirmed by the PRC Legal Advisor, that the Company shall not settle the remaining RMB0.3 million in the course of the current litigation before the ruling indicating the exact entitlements between the parties is finalized. The Company does not intend to withhold the payment but fully acknowledges the payment liability of the outstanding sum of RMB0.3 million, and has therefore recognized such amount as liability in its accounting books.

As at the Latest Practicable Date, it is yet to be determined by the court whether Plaintiff B had carried out any work and entitled to payment in respect of the Lighting Works of the 241 Buildings, either to Plaintiff B or to Individual X pursuant to the Claim from Individual X. If the Company loses the lawsuit as the defendant, and the court supports all claims of Plaintiff B, the maximum liability that the Company is subject to is the payment of approximately RMB117.7 million.

The legal advisor in relation to this lawsuit had advised that the chance that the People's Court supports all claims of Plaintiff B is remote as: (1) save for the contract sum of RMB9.3 million in relation to the 2018 Agreement, there is no other actual contractual or supply relationship between the Company and Plaintiff B in relation to the Lighting Works Under EPC Project; (2) the contract signing and settlement auditing in relation to the Lighting Works Under EPC Project have been completed, and the Company has settled all payments with subcontractors (other than the RMB0.3 million due to Plaintiff B), and there is no other payment obligation on the part of the Company in relation to the Lighting Works Under EPC Project; (3) even if Plaintiff B could prove the actual construction in relation to the Lighting Works of 241 Buildings, it will be outside the scope of the Lighting Works Under EPC Project which the Company is responsible for and the project owners should bear the payment but not the Company; and (4) Individual X was not able to provide sufficient evidence demonstrating its contractual linkage with the Company in relation to the Claim from Individual X. The Company was advised that the more likely outcome is the People's Court requiring the Company to pay Plaintiff B the outstanding contractual sum based on the 2018 Agreement, i.e. RMB0.3 million and the relevant interest. As of the Latest Practicable Date, the case in the People's Court is in process after the latest hearing on August 14, 2023 and we are still pending for further updates from the People's Court. We had not made and expect not to make any provision regarding this case as the Directors considered that the Group has already paid RMB9.0 million to Plaintiff B and the outstanding contractual payment with Plaintiff B shall be RMB0.3 million which the Group has already recognized as cost and the relevant interest which is not significant, and it would not have any material adverse effect on Group.

Our PRC Legal Advisors are of the view that the above material pending litigation cases with Plaintiff A and Plaintiff B where the maximum liability is likely to be over RMB10 million have no material adverse impact on our business activities.

Our Directors confirmed that, during the Track Record Period and as of the Latest Practicable Date, there was no pending legal proceeding or arbitration against us or our Directors that might individually or collectively have a material adverse impact on our business, financial condition and results of operations.

Non-compliance events

Labor dispatching

During the Track Record Period, we and certain subsidiaries of the Group have not strictly controlled the number of dispatched workers in accordance with relevant PRC laws and regulations, which is deemed to have failed to strictly abide by relevant PRC laws and regulations. According to the Interim Provisions on Labor Dispatch issued by the Ministry of Human Resources and Social Security of the People's Republic of China on January 24, 2014, the number of dispatched workers hired by any company shall not exceed 10% of the total number of its employees (including directly employed employees and dispatched workers), and the dispatched workers may only take temporary, auxiliary or replaceable positions. The non-compliance is mainly due to (i) the dispatched workers we used exceeding 10% of our total number of employees; (ii) labor dispatching allows us to more easily maintain an adequate and flexible workforce for temporary, auxiliary and replaceable positions, reducing our time and effort spent on recruitment; and (iii) our inadequate knowledge of relevant PRC laws and regulations. In May and June of 2021, dispatched workers constituted approximately 22% of our total number of employees. We have finished correcting actions with regards to those non-compliance issues. We have switched to outsourced labor for certain work that could be done by with dispatched workers, and lowered the percentage of dispatched workers in our overall work program, to the point where the number of company-dispatched workers are under 10% of all company employees.

According to the PRC Interim Provisions on Labor Dispatch and the Labor Contract Law, employers who violate the relevant provisions on Labor Dispatch will be ordered by the labor administrative department to make rectification within a specified period. Failure to do so within the stipulated time, it will be subject to a fine of not less than RMB5,000 but not more than RMB10,000 for each employee. As advised by our PRC Legal Advisor, if we are ordered to make rectifications and fail to do so within the prescribed time limit, the maximum amount of fines shall be calculated at the discretion of the competent authorities based on the number of dispatched employees exceeding the prescribed number. Based on the aforementioned, such fine would amount to approximately RMB6.3 million for us during the Track Record Period.

Given that (i) we have rectified the non-compliance issue as at the Latest Practicable Date; (ii) as of the Latest Practicable Date, we have not received any rectification notice or administrative penalty from the relevant labor administrative department in relation to labor dispatch; (iii) we have obtained certificates from the relevant departments responsible for labor affairs of the issuer and certain of our subsidiaries confirming that there were no records of administrative penalties during the Track Record Period due to violations of laws and regulations in relation to labor dispatch; and (iv) the relevant departments responsible for the management of labor relations and the relevant labor administrative departments are the competent authorities to make such confirmations, our PRC Legal Advisor is of the view that the above non-compliance with labor dispatch will not have a material adverse effect on our business, financial condition and results of operation. Therefore, we did not make any provision for such non-compliance.

Inadequate Contribution to the Social Insurance Plan and Housing Provident Fund

During the Track Record Period, we and certain subsidiaries of the Group did not pay social insurance and housing provident fund in full for employees based on their actual wages in accordance with PRC laws. During the Track Record Period, the aggregate amount of social insurance and housing provident fund that we had failed to pay was estimated to be RMB1.5 million, RMB1.6 million, RMB0.9 million and RMB0.4 million for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, being 1.4%, 1.1%, 0.6% and 0.4% of the total amount we were obliged to pay for each respective period. The number of employees related to the underpayment were 377, 317, 248 and 216 for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023. The non-compliance is mainly due to (i) individuals who cannot provide materials have not yet been processed; (ii) some of our employees was not willing to contribute to the housing provident fund; (iii) that type of employee have relatively high turnover rate; (iv) our inadequate knowledge of relevant PRC laws and regulations. Please refer to "Risk Factors – Risks Relating to Our Business and Industry – Under PRC laws and regulations, we may be subject to additional social insurance and/or housing provident funds as well as late payment fees and penalties."

With regards to the consequences of not paying social insurance in full during and after the Track Record Period, according to relevant PRC laws and regulations, social security agencies may order us to pay a late fee of 0.05% of the total outstanding balance per day from the date of such social insurance payment failure within a prescribed period of time. If we fail to do so within the prescribed period, relevant administrative authorities may impose an additional fine ranging from one to three times of the total outstanding balance. With regards to not paying housing provident fund in full during and after the Track Record Period, according to the Regulations on the Administration of Housing Provident Fund, we may be ordered to make the outstanding payment within a prescribed time limit by relevant housing provident fund authorities. If the payment is not made within such time limit, an application may be made by relevant housing provident fund authorities to the PRC courts for compulsory enforcement. Please refer to "Regulatory Overview – Labor and Social Protection".

In addition, our social insurance and housing provident fund full payment rate is high, and have acquired compliance certificates from local social insurance authorities and housing provident fund authorities, confirming that some of our subsidiaries have fully paid their social insurance and housing provident fund during the Track Record Period, and have not been subject to any administrative penalty due to non-compliance with relevant regulations related to social insurance and housing provident fund payments.

As confirmed by our PRC Legal Advisor, we have obtained the confirmation from the local social insurance authorities and housing provident fund authority where the Company and some subsidiaries operate, which are competent departments that issued such written confirmation, that they did not have any records of administrative penalties imposed on us. For subsidiaries that have not received confirmation from local social insurance authorities and housing provident fund authority, no records of administrative penalties during the Track Record Period was found upon public inquiry. As advised by our PRC Legal Advisor, we have not suffered from any administrative penalties for non-compliance incidents to date. Our PRC Legal Advisor is of the view that such non-compliance events will not have a material adverse impact on the Company's operating activities, provided that we fully pay the outstanding amount of the social insurance and housing provident fund in a timely manner upon receipt of a notice from the relevant PRC authorities to rectify such non-compliance. Shanxi Hua Ju Law Firm, our PRC legal advisor as to certain PRC law compliance matters, is of the opinion that given (1) the Company's rectification based on the actual conditions of employees; and (2) the certification issued by relevant authorities and the Company's confirmation, the risk of the

Company being ordered to pay and imposed administrative penalty by the relevant competent authorities for not paying social insurance premiums and housing provident fund for its employees is remote. Therefore, we did not make any provision for such non-compliance.

Our Controlling Shareholder undertakes to make up for any outstanding contributions as well as fines or penalties incurred therefrom in accordance with the amount approved by the competent authorities and to compensate us in full for any economic losses caused by such matters.

Regarding the above events, we have taken steps to enhance our internal control measures to avoid such non-compliance events from occurring again. We actively carry out policy publicity and ideological work for employees and pay the housing provident fund for them in accordance with the policy requirements. We further standardize remuneration and other mechanisms, improve the stability of employees, and timely pay housing provident funds for these types of employees in accordance with policy requirements. We have also provided training to the staff of the human resources department to enhance their understanding and compliance awareness of relevant laws and regulations in China.

Bidding procedures

During the Track Record Period, our Group failed to strictly comply with the bidding procedures under certain major projects in accordance with the Tender and Bidding Law of the People's Republic of China and the Bidding Regulations, details of the non-compliance incidents are set out as follows.

According to Article 3 of the Bidding Law of the People's Republic of China, bids shall be invited for the following project construction items undertaken within the People's Republic of China, including surveying, design, construction, supervision and management of the project, as well as the purchase of important equipment and materials for the project construction: (1) large scale infrastructure or public utility projects and other projects relating to the public interest of society or public security; (2) projects wholly or partly utilizing state-owned capital or state funds; and (3) projects utilizing loan or aid funds provided by international organizations or foreign governments. The specific scope and scale criteria for the projects listed in the preceding paragraph shall be formulated by the development and planning department of the State Council jointly with other relevant departments of the State Council, and shall be ratified by the State Council. Where the laws or the State Council stipulates the scope of other projects required to call bids, such provisions shall prevail.

According to Article 49 of the Bidding Law of the People's Republic of China, where any party violates the provisions of this Law by failing to invite bids for a project required by law to call for bids, or evading bidding requirements by breaking up a project into parts or by any other means, that party shall be ordered to rectify the situation within a specified period and shall be fined an amount ranging from 0.5% to 1% of the project contract price. Where a project wholly or partly utilizes state funds, the project may be temporarily suspended or payment of funds may be temporarily halted; the person-in-charge within an organization or any other person directly responsible for the violation shall be punished pursuant to the law.

According to Article 29 of the Implementation Regulations for the Law of the People's Republic of China on Tenders and Bids, a tender inviting party may adopt EPC tender invitation fully or partially pursuant to the law for a project and goods, services relating to project construction. Where the project, goods, services included in the EPC scope in the form of provisional valuation form fall within the scope of a project required by law to call for tenders and attained the scale and standard stipulated by the state, a tender exercise shall be conducted pursuant to the law. Provisional valuation referred to in the preceding paragraph shall mean the prices of the project, goods, services provisionally assessed in the tender invitation document by the tender inviting party when the prices are not determinable at the time of EPC tender invitation.

Our Directors had submitted a written enquiry to the NDRC on September 6, 2022 in respect of the implementation of the law above and obtained a written confirmation on October 20, 2022 that with the exception to tender projects which lists out the estimated price for certain work scope and are required to be tendered in accordance with the law, the main contractor of the project may directly subcontract other special businesses listed in the general contracting contracts without going through tendering procedures (the "**NDRC Interpretation**"). Based on the NDRC Interpretation and after review of relevant tender documents in relation to possible non-compliance incidents which did not perform the bidding procedure, during the Track Record Period, we identified four incidents happened in March 2022, April 2022 and June 2022 and March 2023 ("**Incident 1**", "**Incident 2**", "**Incident 3**" and "**Incident 4**", and collectively, the "**Incidents**"), respectively whereby the NDRC Interpretation is not applicable, and we were required to perform the bidding procedure. Incident 1 and Incident 4 concern with the procurement of construction materials which was conducted by means of negotiation and procurement instead of public tender, as the Company was a subcontractor rather than a general contractor for the project, the NDRC Interpretation is not applicable; Incidents 2 and 3 concern with the procurements of raw materials where the Company did not perform the bidding procedures, since the prices of the relevant raw materials were provisionally assessed in the tender invitation documents by the tender inviting parties when the prices were not determinable at the time of EPC tender invitations and were not determinable in the main contracts of the projects, the NDRC Interpretation is not applicable. Based on the aforementioned and as the total contract value of the procurement and subcontracting amounted to approximately RMB71.7 million, the maximum amount of administrative penalty that may be imposed by the relevant authority according to the Tender and Bidding Law of the People's Republic of China is approximately RMB0.7 million.

Based on the above given that (i) the total contract amount involved in these procurement and subcontracting and the maximum amount of administrative penalty that may be imposed by the relevant authority according to the Tender and Bidding Law of the People's Republic of China only account for a small portion of the Group's net asset; (ii) during the Track Record Period and up to the Latest Practicable Date, the Group has not been subject to administrative penalties from relevant departments due to non-performance of bidding procedures; and (iii) the Controlling Shareholder has issued a letter of undertaking that if our Company fails to perform the bidding procedures in accordance with the Tender and Bidding Law of the People's Republic of China and other rules and regulations in relation to bidding procedures during the production and operation process and is subject to administrative punishment by the relevant authority, or causes any dispute or dispute, or the relevant contract is determined to be invalid, the Controlling Shareholder will bear the relevant responsibilities or losses without requesting our Company to pay any of such penalties, therefore, our Directors and our PRC Legal Advisor are of the view that such non-compliance incidents will not have a material impact on the Listing of the Group. Furthermore, as advised by our PRC Legal Advisor, according to the provisions of the Civil Code of the People's Republic of China (《中華人民共和國民法典》), the counterparties in all the four non-compliant incidents have no right to claim for invalidation of the construction contract signed between the Group and relevant customers and therefore our Directors are of the view that the incidents will not have any material impact on the relevant projects.

In light of the above non-compliance incidents, our management concluded that they were mainly caused by the lack of compliance awareness in the actual implementation of some projects by certain of our staff in our daily operation, and did not involve any of our Directors or Senior Management. Accordingly, our management has formulated and implemented the following internal control policies in order to ensure strict compliance of the Tender and Bidding Law of the People's Republic of China, the Bidding Regulations and other applicable laws and regulations in the future:

(1) the internal control system related to bidding matters has been formulated and specific policies in respect of the bidding procedural requirements on procurement of raw materials, subcontracting of construction works and labour subcontracting were issued to all our employees through the relevant working units, including, but not limited to, a detailed system of material procurement classification, material procurement planning, and material procurement methods, the requirements for announcement on pre-vetting and tendering for tendered projects, conditions for inviting tenders, descriptions of procurement methods on different platforms, rewards and penalties for tendered procurement, etc., to ensure our employees are aware of such legal requirements and that strict compliance of the relevant legal requirements will be enforced at working level;

(2) we have reviewed and scrutinized our internal bidding review process and strengthen the pre-bidding control management system by furnishing our documental requirements when inviting bidding in order to eliminate potential non-compliance;

(3) we will further strengthen our contract management system and enhance supervision over bidding-related matters through implementing a full-cycle management throughout the subsistence of our projects, specific measures of which include requiring employees to provide details of bidding procedures initiated during the contract review process where mandatory bidding procedures is required by law, promptly rectify existing bidding non-compliance issues, and establish a comprehensive internal compliance control system;

(4) we will continue to organize and offer intermittent training sessions for our employees in relation to tender and bidding topics, in order to raise employees' awareness and understanding in the Tender and Bidding Law of the People's Republic of China, the Bidding Regulations and other applicable laws, such that to prevent further non-compliance incidents in our future operation; and

(5) we will engage external professionals to review our compliance status in relation to the Tender and Bidding Law of the People's Republic of China, the Bidding Regulations and other applicable laws and regulations if necessary.

Views of our Directors and the Joint Sponsors

Having considered (i) the nature, reasons, and consequences of the non-compliances; (ii) the rectification measures we have undertaken; (iii) the legal advice from our PRC Legal Advisor; (iv) the indemnities from our Controlling Shareholder; (v) the training attended by our Directors in relation to their obligations and duties as directors of publicly listed companies from a Hong Kong law perspective; and (vi) the non-compliance incidents did not involve any dishonesty or fraudulent act on the part of our Directors, and did not impugn on their integrity or competence, our Directors are of the view that, and the Joint Sponsors agree with our Directors, the enhanced internal control measures adopted by us are adequate and effective.

OVERVIEW

We have in the past conducted certain transactions with our connected persons. Such transactions will continue after the Listing and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

It is expected that upon the Listing, we will have transactions with the members of SCIG Group who will be regarded as our connected persons under the Listing Rules.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap *(RMB million)* For financial year ending December 31,		
			2023	**2024**	**2025**
Fully Exempt Continuing Connected Transactions					
Trademark License Agreement	14A.76(1)	Not applicable	nil	nil	nil
Property Lease Framework Agreement	14A.76(1)	Not applicable	11.0	11.0	11.0
Testing Service Framework Agreement	14A.76(1)	Not applicable	2.0	2.5	3.0
Design services Framework Agreement	14A.76(1)	Not applicable	2.3	3.0	4.0
Cooperation Agreement for Energy Services	14A.76(1)	Not applicable	2.5	2.8	3.0
Machinery and Equipment Lease Framework Agreement	14A.76(1)	Not applicable	10.0	11.0	12.0
Labor Procurement Framework Agreement	14A.76(1)	Not applicable	6.5	8.5	10.0
Equipment Lease Framework Agreement	14A.76(1)	Not applicable	5.0	6.0	7.0

Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap (RMB million) For financial year ending December 31, 2023	2024	2025
Partially Exempt Continuing Connected Transactions					
Property Management Framework Agreement	14A.76(2)	Announcement requirement	12.0	13.0	14.0
Sales Framework Agreement	14A.76(2)	Announcement requirement	160.0	200.0	250.0
Financial Services Framework Agreement	14.76(2)	Announcement requirements	*Maximum comprehensive credit facility*		
			500.0	500.0	500.0
			Fees for financial services		
			7.0	7.0	7.0
Non-exempt Continuing Connected Transactions					
Bilateral Construction Services Framework Agreement	14A.35, 14A.36, 14A.46 and 14A.105	Announcement, circular and independent Shareholders' approval requirements	*For services provided by SCIG Group to our Group*		
			40.0	100.0	110.0
			For services provided by our Group to SCIG Group		
			750.0	800.0	850.0
Raw Materials Procurement Framework Agreement	14A.35, 14A.36, 14A.46 and 14A.105	Announcement, circular and independent Shareholders' approval requirements	1,000.0	1,200.0	1,400.0

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademark License Agreement

During the Track Record Period, our Company has been using trademarks and . On November 3, 2023, our Company entered into a trademark license agreement (the "**Trademark License Agreement**") with Shanxi CIG, pursuant to which, Shanxi CIG agreed to license our Group the non-exclusive use of and for the validity period of the trademark for nil consideration. For the details of the licensed trademarks and , please refer to Appendix VI "Statutory and General Information – B. Further Information About our Business – 2. Our Material Intellectual Property Rights – (b) Licensed trademarks". We have been using the trademarks in connection with our business conducted over the years. As such, in order to maintain the consistency of our market image, we will continue to use the licensed trademark after the Listing. Our Directors are of the view that (i) the licensed trademarks are essential to our business, which, to a certain extent is built on brand recognition, and a longer duration of the license term will afford a greater degree of stability and continuity to our business; and (ii) it is normal business practice for license agreement of this type to be of a term equivalent to the validity period of the trademark.

Property Lease Framework Agreement

Our Group has leased certain properties to the members of SCIG Group during the Track Record Period and it is expected that our Group will continue to lease properties to SCIG Group from time to time after the Listing. On November 3, 2023, our Company entered into a lease framework agreement (the "**Property Lease Framework Agreement**") with Shanxi CIG commencing from the Listing Date and ending on December 31, 2025, pursuant to which, our Group shall lease properties to members of SCIG Group as office.

For the three years ended December 31, 2022 and the six months ended June 30, 2023, our Group received approximately RMB3.9 million, RMB8.3 million, RMB9.1 million and RMB4.3 million, respectively from SCIG Group in relation to the leases of properties and the annual caps of the Property Lease Framework Agreement for each of the three years ending December 31, 2025 are RMB11.0 million, RMB11.0 million and RMB11.0 million, respectively. In determining the above annual caps, our Directors have considered (i) the historical rents received; (ii) the trend in market rate of rent in similar locations and similar properties; and (iii) the potential needs of SCIG Group for office premises. The rent of the leasing of properties to members of SCIG Group has been/will be determined with reference to market rental.

Our Directors are of the view that the leasing of properties to members of SCIG Group is conducted in our Group's ordinary and usual course of business and our Group will be able to secure long-term and stable tenants while generating stable income by leasing our properties to SCIG Group.

Testing Services Framework Agreement

Testing services are required for quality control during different stage of our construction project. During the Track Record Period, we have engaged certain members of SCIG Group for conducting construction tests and examinations. On November 3, 2023, our Company entered into a testing services framework agreement (the "**Testing Services Framework Agreement**") with Shanxi CIG commencing on the Listing Date and ending on December 31, 2025, pursuant to which relevant members of SCIG Group will provide testing and examination services to our Group.

For the three years ended December 31, 2022 and the six months ended June 30, 2023, our Group paid approximately RMB0.2 million, RMB0.1 million, RMB0.5 million and RMB1.4 million, respectively to SCIG Group as service fees and the annual caps of service fee for each of the three years ending December 31, 2025 are RMB2.0 million, RMB2.5 million and RMB3.0 million, respectively. In determining the above annual caps, our Directors have considered (i) the historical transaction amounts; (ii) the expected demand for the relevant services from our backlog projects; and (iii) the potential growth of business of our Group. The service fees for construction tests and examinations will be no less favorable than the service fees charged by Independent Third Party service providers.

Our Directors consider that relevant members of SCIG Group are well-qualified testing services providers specializing in providing testing service to construction project and with the established business relationship, SCIG Group can better understand the testing requirements, quality control and other requirements of our Group, our Group will benefit from the convenient and timely testing services provided by relevant members of SCIG Group.

Design Services Framework Agreement

As our Company possesses Grade A Qualifications for Chemical, Petrochemical and Pharmaceutical Industry Design and Municipal Engineering Industry Design, during the Track Record Period, we have provided design services to SCIG Group. On November 3, 2023, our Company entered into a framework agreement for the provision of design services (the "**Design Services Framework Agreement**") with Shanxi CIG commencing from the Listing Date and ending on December 31, 2025, pursuant to which our Company and relevant members of SCIG Group who need our design services will enter into separate contract for detailed scope of work.

For the three years ended December 31, 2022 and the six months ended June 30, 2023, our Group received approximately RMB1.0 million, RMB2.7 million, RMB3.1 million and RMB0.1 million, respectively from SCIG Group in relation to our design services provided to SCIG Group and the annual caps of the Design Services Framework Agreement for each of the three years ending December 31, 2025 are RMB2.3 million, RMB3.0 million and RMB4.0 million, respectively. In determining the above annual caps, our Directors have considered (i) the historical transaction amounts; and (ii) the expected increasing demands from SCIG Group for our design services. The fees for our design services will be determined at arm's length negotiation with regards to the complexity of project and time constrains, but in any event, no less favorable than the design services provided by us to Independent Third Parties.

Our Directors consider that the design services provided under the Design Services Framework Agreement are conducted in our Group's ordinary and usual course of business.

Cooperation Agreement for Energy Services

On January 1, 2020, Shanxi Shan'an Maode Distributed Energy Technology Company Limited* (山西山安茂德分布式能源科技有限公司, "**Shan'an Maode**") entered into an energy management cooperation agreement (the "**Cooperation Agreement**") with Shanxi CIG South East Jin Construction Industry Company Limited* (山西建投晉東南建築產業有限公司, a subsidiary of Shanxi CIG) ("**SE Jin Construction**") in connection with (i) the installation of solar panel and sales of solar generated electricity to SE Jin Construction; (ii) the provision of heating and cooling to designated areas; and (iii) the management of energy conservation system (collectively the "**Energy Services**").

The Cooperation Agreement has a term of 20 years commenced from January 1, 2020 to December 31, 2039. For the three years ended December 31, 2022 and the six months ended June 30, 2023, our Group received approximately RMB1.3 million, RMB1.5 million, RMB0.9 million and RMB1.2 million, respectively, from SE Jin Construction in relation to the Energy Services. The drop in the energy services fee received in 2022 was mainly caused by the suspension of work in the relevant industrial parks due to COVID-19 which led to lower electricity consumption. It is expected that the level of electricity consumption will resume to normal as the epidemic situation improves in China. The annual caps of the Cooperation Agreement for each of the three years ending December 31, 2025 are RMB2.5 million, RMB2.8 million and RMB3.0 million, respectively. In determining the above annual caps, our Directors have considered (i) the historical transaction amounts; and (ii) the expected increasing demands in electricity, cooling and heating services of SE Jin Construction. The fees for the Energy Services are determined by referencing to the local electricity price during peak hours and the pricing policy on cooling and heating services published by local government.

Our Directors consider that the Energy Services provided under the Cooperation Agreement are conducted in our Group's ordinary and usual course of business and the long contract term arrangement is in line with the normal business practise in new energy industry.

Machinery and Equipment Lease Framework Agreement

Our Group requires various types of machinery and equipment for conducting our business. As some of the machineries are expensive and require specific expertise to operate and maintain, during the Track Record Period, we leased those machineries and equipment from SCIG Group. On November 3, 2023, our Company entered into a machinery and equipment lease framework agreement (the "**Machinery and Equipment Lease Framework Agreement**") with Shanxi CIG, pursuant to which relevant members of SCIG Group will lease the relevant construction machineries and equipment to our Group.

For the three years ended December 31, 2022 and the six months ended June 30, 2023, our Group paid approximately RMB3.5 million, RMB9.2 million, RMB6.4 million and RMB3.6 million, respectively to SCIG Group in relation to the lease of machinery and equipment. The historical transaction amount for the year 2022 has excluded the transaction amounts with Yu'an Hengchuang in order to eliminate the fluctuation in the transaction amount as a result of the disposal of Yu'an Hengchuang to our Controlling Shareholder in December 2021 given that as of the Latest Practicable Date, Yu'an Hengchang is no longer a connected person of our Company. The annual caps of the Machinery and Equipment Lease Framework Agreement for each of the three years ending December 31, 2025 are RMB10.0 million, RMB11.0 million and RMB12.0 million, respectively. In determining the above annual caps, our Directors have considered: (i) the historical transaction amounts; (ii) the expected demand from our backlog projects; and (iii) the potential growth of business of our Group. The fees for the lease of machinery and equipment will be determined through bidding process in which relevant members of SCIG Group and other Independent Third Party service providers would be invited to submit their price and terms.

Our Directors consider that the lease of machineries and equipment under the Machinery and Equipment Lease Framework Agreement is conducted in our Group's ordinary and usual course of business and is more cost-efficient than to purchase and own such machineries by ourselves. Moreover, our Directors are of the opinion that the safety, condition and performance of the machineries and equipment leased from SCIG Group can be guaranteed.

Labor Procurement Framework Agreement

On November 3, 2023, our Company entered into a labor procurement framework agreement (the "**Labor Procurement Framework Agreement**") with Shanxi CIG, pursuant to which members of SCIG Group shall provide labor subcontracting services to our Group to assist our daily business operation as and when required. The term of the Labor Procurement Framework Agreement shall commence on the Listing Date and end on December 31, 2025. Relevant members of our Group and relevant members of SCIG Group will enter into separate labor procurement contracts which specify the fees, term and hours of labor force required in accordance with the principles and terms set out in the Labor Procurement Framework Agreement in all material aspects.

The number of labors and hours of labor force required by our Group to carry out business varies from project to project and we may also require labors with particular skills and expertise from time to time to cope with special needs of projects. During the Track Record Period, our Group has engaged members of SCIG Group to provide labor subcontracting services to us from time to time. The total fees paid by our Group to SCIG Group in relation to labor subcontracting services for the three years ended December 31, 2022 and the six months ended June 30, 2023 were approximately RMB22.0 million, RMB67.7 million, RMB1.9 million and RMB0.7 million, respectively. The historical transaction amount for the year 2022 has excluded the transaction amounts with Yu'an Hengchuang in order to eliminate the fluctuation in the transaction amount as a result of the disposal of Yu'an Hengchuang to our Controlling Shareholder in December 2021 given that as of the Latest Practicable Date, Yu'an Hengchang is no longer a connected person of our Company. Looking forward, we expect to obtain labor subcontracting services from other members of SCIG Group or from Independent Third Parties.

The annual caps for the labor subcontracting services provided under the Labor Procurement Framework Agreement for each of the three years ending December 31, 2025 are RMB6.5 million, RMB8.5 million and RMB10.0 million, respectively. In determining the above annual caps, our Directors have considered (i) the historical transaction amounts (without taking into account the transactions with Yu'an Hengchuang); and (ii) the expected demands for labor subcontracting services of our ongoing projects and future projects; and (iii) the availabilities of independent services providers in the labor market. The pricing for the labor subcontracting services to be obtained from members of SCIG Group shall be no less favorable than the price of same type of services and terms provided by Independent Third Parties under normal commercial terms and in the ordinary course of business. Our Group will seek and compare the quotations and terms of services from at least two other independent suppliers offering the same or comparable type of services against the quotation and terms of services provided by members of SCIG Group.

Our Directors consider that the transactions contemplated under the Labor Procurement Framework Agreement are conducted in our Group's ordinary and usual course of business.

Equipment Lease Framework Agreement

During the Track Record Period, SCIG Group has leased construction equipment, such as aluminum formwork, from our Company and it is expected that such transactions will continue after the Listing. On November 3, 2023, our Company entered into a framework agreement for lease of construction equipment (the "**Equipment Lease Framework Agreement**") with Shanxi CIG commencing on the Listing Date and ending on December 31, 2025, pursuant to which, our Company will lease construction equipment to members of SCIG Group as and when required.

For the three years ended December 31, 2022 and the six months ended June 30, 2023, our Group received approximately RMB1.0 million, RMB6.9 million, RMB14.8 million and RMB0.3 million, respectively from SCIG Group for the lease of construction equipment. The substantial increase in the transaction amount during the Track Record Period was because our Group's aluminum formwork production facility had commenced operation in May 2021 and had sufficient equipment to supply to SCIG Group. The historical transaction amount for the year 2022 has excluded the transaction amounts with Yu'an Hengchuang in order to eliminate the fluctuation in the transaction amount as a result of the disposal of Yu'an Hengchuang to our Controlling Shareholder in December 2021 given that as of the Latest Practicable Date, Yu'an Hengchang is no longer a connected person of our Company. The annual caps of fee of the

Equipment Lease Framework Agreement for each of the three years ending December 31, 2025 are RMB5.0 million, RMB6.0 million and RMB7.0 million, respectively. In determining the above annual caps, our Directors have considered (i) the historical transaction amount; and (ii) the expected demands from SCIG Group for the construction equipment.

Our Directors are of the view that the lease of equipment to SCIG Group is conducted in our Group's ordinary and usual course of business.

Listing Rules implications

As each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of each of the transactions above is expected to be, on an annual basis, less than 0.1%, each of these transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Property Management Framework Agreement

Our Group has been using property management services (including property management, facilities and equipment maintenance, food and beverage services, gardening services and cleaning services) provided by Taiyuan Xie'an Property Service Company Limited* (太原諧安物業服務有限公司, "**Xie'an Property**") during the Track Record Period and it is expected that our Group will continue to use their property management services after the Listing. As SCIG City Operation Group Company Limited* (山西建投城市營運集團有限公司, a wholly-owned subsidiary of Shanxi CIG) acquired 51% equity interest in Xie'an Property in February 2022 from an Independent Third Party, Xie'an Property became a non wholly-owned subsidiary of Shanxi CIG. The remaining 49% equity interest of Xie'an Property is owned by our Group. On November 3, 2023, our Company entered into a property management framework agreement (the "**Property Management Framework Agreement**") with Xie'an Property commencing from the Listing Date and ending on December 31, 2025, pursuant to which, our Company will enter into separate service agreement in respect of specific services required.

For the three years ended December 31, 2022 and the six months ended June 30, 2023, our Group paid approximately RMB6.6 million, RMB6.6 million, RMB9.6 million and RMB4.8 million, respectively to Xie'an Property as service fee and the annual caps of service fee for each of the three years ending December 31, 2025 are RMB12.0 million, RMB13.0 million and RMB14.0 million, respectively. In determining the above annual caps, our Directors have considered (i) the historical fees paid; and (ii) the anticipated local inflation rate.

Our Directors are of the view that as Xie'an Property has been serving our Group for years, it is beneficial to our Group to continue to engage Xie'an Property in terms of price, efficiency, quality and reliability in the provision of such services.

Sales Framework Agreement

On November 3, 2023, our Company entered into a sales framework agreement with Shanxi CIG (the "**Sales Framework Agreement**"), pursuant to which SCIG Group will purchase certain construction materials, including but not limiting to, ready mixed concrete and precasted concrete parts from our Group. The term of the Sales Framework Agreement shall commence on the Listing Date and end on December 31, 2025. Our Group and SCIG Group will enter into separate purchase orders in respect of each purchase in accordance with the principles and terms of the Sales Framework Agreement in all material aspects.

Reasons for the transaction

The main products we have been selling to SCIG Group are concrete related products. As the production facility of Shan'an Lide commenced trial production in April 2021, Shan'an Lide commenced to sell ready mixed concretes and pre-casted concrete products to SCIG Group who has stable needs for concrete products for its construction business. Our Directors consider that sales to SCIG Group would allow us to be benefited from the revenue generated from the sales of concrete related products. Other than the concrete products produced by Shan'an Lide, our Group has also supplied moulds and fence panels and other construction materials to SCIG Group occasionally during the Track Record Period.

Historical amounts

The total amount received by our Group from SCIG Group in relation to sales of construction materials for the three years ended December 31, 2022 and the six months ended June 30, 2023 were approximately RMB4.3 million, RMB95.5 million, RMB136.6 million and RMB51.3 million, respectively. The substantial increase in historical transaction amount for the year ended December 31, 2021 is due to the commencement of trial production of the concrete production facility of Shan'an Lide in 2021 and Shan'an Lide started to supply concrete products to SCIG Group.

Pricing policy

The price for each type of the construction materials will be determined with reference to: (i) the prevailing market price of such product; and (ii) the price of such product supplied by our Group to Independent Third Parties.

Annual caps

It is expected that Shan'an Lide will gradually achieve its optimum production capacity in 2025. Since, the annual caps for the total purchase from SCIG Group under the Sales Framework Agreement for each of the three years ending December 31, 2025 are RMB160.0 million, RMB200.0 million and RMB250.0 million, respectively.

Basis of annual caps

In determining the above annual caps, our Directors have considered the following factors:

(1) the historical purchase amounts by SCIG Group during the Track Record Period;

(2) the obtaining of formal production permit by Shan'an Lide in February 2023;

(3) the expected increasing demands from SCIG Group; and

(4) the expected increase in production capacity of Shan'an Lide after obtaining formal production permit.

Financial Services Framework Agreement

On November 3, 2023, our Company entered into a financial services framework agreement (the "**Financial Services Framework Agreement**") with Shanxi CIG (for itself and on behalf of its subsidiaries), pursuant to which relevant members of SCIG Group will provide comprehensive credit facility services, settlement services, finance lease services and other financial services (collectively, the "**Financial Services**") to our Group under the Financial Services Framework Agreement. The term of the Financial Services Framework Agreement shall commence on the Listing Date and end on December 31, 2025. Relevant members of our Group and SCIG Group will enter into separate agreements in respect of specific Financial Services required in accordance with the principles and terms of the Financial Services Framework Agreement in all material aspects.

Reasons for the transaction

We have been obtaining financial services from certain members of SCIG Group in the ordinary and usual course of our business during the Track Record Period. Having considered that (i) the interest rates on loans and facilities offered by relevant members of SCIG Group to our Group will be no less favorable than those offered by independent commercial banks and financial institutions in the PRC for similar amount and period; (ii) the financial service providers in SCIG Group have obtained necessary licenses (if required) in connection with the provision of the Financial Services to our Group; and (iii) the financial service providers in SCIG Group have better understanding of operations of our Group, so that they can develop practical financing solutions that closely align with our funding needs to provide credit facilities and loans to our Group in efficient manner, our Directors consider that the financial services contemplated under the Financial Services Framework Agreement will be able to meet the daily operation needs of our Group.

Historical amounts

The historical transaction amounts were as follows:

	For financial year ended December 31,			For the six months ended June 30,
	(RMB million)			
	2020	**2021**	**2022**	**2023**
Maximum daily balance of comprehensive credit facility services	310.0	310.0	510.0	447.9
Fees for settlement services, finance lease services and other financial services	0.7	–	6.9	–

Pricing policy

For comprehensive credit facility services, the credit interest rates and rates for loans to be provided to our Group by relevant members of SCIG Group shall be no higher than those available to our Group from other independent financial institutions in the PRC for the same period and of similar nature.

For settlement services and finance lease services, the fees charged by relevant members of SCIG Group for the provision of such services to our Group shall be no less favorable than those available to our Group from independent financial institutions in the PRC.

For other financial services, the fees charged shall be in compliance with the fees standard prescribed by the People's Bank of China or the China Banking Regulatory Commission in respect of such services and shall in no event be no less favorable than those charged by independent financial institutions in the PRC for the same period and of similar nature.

Annual caps

The annual caps under the Financial Services Framework Agreement are as follows:

	Proposed annual cap *(RMB million)* For financial year ending December 31,		
	2023	**2024**	**2025**
Maximum daily balance of comprehensive credit facility services	500.0	500.0	500.0
Fees for settlement services, financial lease services and other financial services	7.0	7.0	7.0

Basis of annual caps

The above annual caps of comprehensive credit facility services have been determined by our Group taking into account (i) the maximum daily balance of facilities and loans provided by members of SCIG Group to our Group during the Track Record Period; and (ii) our expectation that the demand for facilities and loans will increase in line with our business development.

In determining the annual caps of fees for settlement services, financial lease services and other financial services, our Group has considered (i) the service fees paid by us the Track Record Period in respect of each type of the Financial Services; (ii) our Group's future business demand for the Financial Services; and (iii) the expected global interest rate rising environment.

Listing Rules Implications

As the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the transactions contemplated under each of the Property Management Framework Agreement, the Sales Framework Agreement and the Financial Services Framework Agreement are expected to be, on an annual basis, more than 0.1% but less than 5%, the transactions will be subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(2) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Bilateral Construction Services Framework Agreement

On November 3, 2023, our Company entered into a bilateral construction services framework agreement (the "**Bilateral Construction Services Framework Agreement**") with Shanxi CIG, pursuant to which our Group may engage members of SCIG Group to provide construction services while SCIG Group may engage members of our Group to provide construction services (including industrial equipment installation) as and when required. The term of the Bilateral Construction Services Framework Agreement shall commence on the Listing Date and end on December 31, 2025. Relevant members of our Group and relevant members of SCIG Group will enter into separate construction services contracts which specify the scope of construction services, standards and specifications, contract sum and contract term of specific projects to be carried out in accordance with the principles and terms of the Bilateral Construction Services Framework Agreement in all material aspects.

Reasons for the transaction

We have been providing construction services to SCIG Group in the ordinary and usual course of our business during the Track Record Period. The services provided by our Group to SCIG Group involved specialized industrial construction works, specialized auxiliary construction works and other construction works. Our Directors consider that the provision of construction services to SCIG Group would benefit our Group for the reasons that (i) our Group, as a member of SCIG Group, has established a stable business relationship with SCIG Group and understand the business operations, construction requirements, quality control and other requirements of SCIG Group, which enable smooth cooperation and reducing operational costs; (ii) by providing construction services to SCIG Group's engineering projects, our Group has the opportunity to expand its portfolio of construction of large-scale projects; (iii) we are the only subsidiary of Shanxi CIG which possesses both Premium Grade Qualifications of General Contracting for Petrochemical Engineering Construction and Municipal Public Engineering Construction; (iv) given the close proximity, we are able to provide construction services to SCIG Group when SCIG Group does not have enough capacity to carry out the works; and (v) the price and terms of providing construction services to SCIG Group are no less favorable to us than those offered by us to Independent Third Parties. As for the SCIG Group, it can leverage on our Group's experience and expertise to increase construction efficiency as our Group may have more experiences and expertise than SCIG Group in certain construction fields.

We have also subcontracted construction works to SCIG Group in the ordinary and usual course of our business during the Track Record Period. We have subcontracted certain works such as geotechnical survey, design, and testing; foundation construction; construction quality inspection and testing; water conservancy well drilling and construction project supervision, etc. to SCIG Group. Our Directors consider that the subcontracting of construction work to SCIG Group would benefit our Group for the reasons that (i) there is a stable business relationship between SCIG Group and our Group; (ii) SCIG Group is familiar with our Group's specifications, standards and requirements and therefore our Group has confidence in the quality of the subcontracting services provided by SCIG Group; (iii) SCIG Group has the relevant licenses, qualifications, expertise and experiences for a wide range of works and thus our Group can ensure that the relevant works and requirements undertaken from our customers can be conducted in a satisfactory manner; (iv) SCIG Group also has sufficient resources so that we will be able to subcontract excessive work loads to it when we do not have sufficient capacity to conduct the works ourself to optimise our resources; and (v) and the price and terms of providing construction services to us by SCIG Group are no less favorable than those offered to us by Independent Third Parties. We undertake that upon Listing, we will only subcontract construction works to SCIG Group through open tender procedures.

Historical amounts

The total amount paid by our Group to SCIG Group for the construction services provided to us for the three years ended December 31, 2022 and the six months ended June 30, 2023 were approximately RMB16.4 million, RMB4.3 million, RMB79.8 million and RMB12.6 million, respectively.

The total amount received by our Group from SCIG Group for the construction services provided to SCIG Group for the three years ended December 31, 2022 and the six months ended June 30, 2023 were approximately RMB286.9 million, RMB469.8 million, RMB674.5 million and RMB331.3 million, respectively.

Pricing policy

Construction services provided under the Bilateral Construction Services Framework Agreement, the contract sum should be determined with reference to the pricing guidelines and methods as set out in the valuation guidelines published by the local housing and urban-rural construction bureaus. We will also consider factors such as project schedule, complexity and scale of the construction project, potential revision of the scope of work, geographical location and environmental conditions of the project site to ensure the price and terms will be no less favorable to us than those offered by Independent Third Parties.

Annual caps

The annual caps for the construction services based on contract value under the Bilateral Construction Services Framework Agreement for each of the three years ending December 31, 2025 are as follows:

	Proposed annual cap *(RMB million)* For financial year ending December 31,		
	2023	**2024**	**2025**
Contract value construction services to be provided by SCIG Group to our Group	40.0	100.0	110.0
Contract value construction services to be provided by our Group to SCIG Group	750.0	800.0	850.0

Basis of annual caps

In determining the above annual caps, our Directors have considered the following factors:

(1) the historical transaction amounts of the construction services provided to and received from SCIG Group during the Track Record Period. In particular, the steady growth in the historical transaction amounts for the construction services provided to and received from SCIG Group demonstrated the mutual needs of our Group and SCIG Group for the construction services provided by the other party during the Track Record Period which is consistent with the increasing trend of the value of the construction projects in our backlog;

(2) the remaining value of the subcontracting contracts entered into by our Group and SCIG Group prior to the Listing and their respective completion schedule;

(3) the plan of The People's Government of Shanxi Province to establish: (i) Taiyuan-Xinzhou Integrated Economic Zone (太忻一體化經濟區) with a target total investment amount of approximately RMB533.7 billion for 2022 alone; and (ii) several industrial zones in Shanxi Province. The aforesaid plans present a major development opportunities for construction companies headquartered in Shanxi Province, including SCIG Group. With our position in industry installation, we believe our Group will also be benefited from the aforesaid development plan;

(4) the highest annual cap for the construction services provided to SCIG Group for the three years ending December 31, 2025 of RMB850.0 million represents less than 7.0% of the Group's revenue for the year ended December 31, 2022;

(5) our business development plan and expected growth trend in our principal business;

(6) the expected costs, including material costs and labor costs; and

(7) the relevant authorities' pricing guidelines.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Bilateral Construction Services Framework Agreement for each of the three years ending December 31, 2025 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 5% on an annual basis. Accordingly, such transactions will, upon Listing, constitute continuing connected transactions of the Company which will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Raw Materials Procurement Framework Agreement

On November 3, 2023, our Company entered into a raw materials procurement framework agreement with Shanxi CIG (the "**Raw Materials Procurement Framework Agreement**"), pursuant to which our Group will purchase certain raw materials, including but not limiting to, steel, and precasted and prefabricated parts. The term of the Raw Materials Procurement Framework Agreement shall commence on the Listing Date and end on December 31, 2025. Our Group and SCIG Group will enter into separate purchase orders in respect of each purchase which specify types of raw material, standards and specifications, quantity and payment term in accordance with the principles and terms of the Raw Materials Procurement Framework Agreement in all material aspects.

Reasons for the transaction

We have been purchasing certain raw materials from SCIG Group in the ordinary and usual course of our business during the Track Record Period. Our Directors consider that purchasing from SCIG Group would allow us to be benefited from the lower price and more favorable terms offered by the suppliers of relevant raw materials to SCIG Group due to the bulk quantities it purchases. Even though SCIG Group would charge handling fees on top of the original prices of relevant raw materials, the overall prices could still be lower than those we obtained for similar quantities and delivery terms in the market.

Historical amounts

The total amount paid by our Group to SCIG Group in relation to purchases of raw materials for the three years ended December 31, 2022 and the six months ended June 30, 2023 were approximately RMB142.3 million, RMB525.0 million, RMB1,131.4 million and RMB442.8 million, respectively.

Pricing policy

The price for each type of raw materials will be determined with reference to: (i) the prevailing market price of such product; and (ii) the price of such product supplied by Independent Third Parties to SCIG Group. For the purpose of ascertaining market prices, the procurement team of our Group will obtain quotation from at least two suppliers which are Independent Third Parties. In any event, the terms for each transaction with SCIG Group will be no less favorable than the terms which can be obtained from Independent Third Party suppliers for purchasing products of comparable quality, quantity and specifications.

Annual caps

The annual caps for the purchase from SCIG Group under the Raw Materials Procurement Framework Agreement for each of the three years ending December 31, 2025 are RMB1,000.0 million, RMB1,200.0 million and RMB1,400.0 million, respectively.

Basis of annual caps

In determining the above annual caps, our Directors have considered the following factors:

(1) the historical transaction amounts for the raw materials purchased from SCIG Group during the Track Record Period;

(2) our business development plan and expected growth trend in our principal business. For the three years ended December 31, 2022 and the six months ended June 30, 2023, the total purchases of raw material amounted to approximately RMB3,627.0 million, RMB5,897.6 million, RMB5,769.7 million and RMB2,023.2 million, respectively. It is expected that the amount for purchases of raw materials will continue to increase with the expected growth of our business; and

(3) the fact SCIG Group has established centralized procurement platform for its members (including our Group) and as the platform grows, most types of raw materials can be purchased through it. Therefore, it is expected that our Group's purchases for more types of raw materials could be conducted through such centralized procurement platform to enjoy the benefits of bulk purchase, as a result, it is expected that a higher proportion of our total purchase of raw material would be made through such platform.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Raw Materials Procurement Framework Agreement for each of the three years ending December 31, 2025 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 5% on an annual basis. Accordingly, such transactions will, upon Listing, constitute continuing connected transactions of the Company which will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee is responsible for reviewing compliance with relevant laws, regulations, our policies and the Listing Rules in respect of the continuing connected transactions. Further, the Audit Committee, the Board and various internal departments of our Company (including but not limited to the financial assets department and the compliance and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;

- the Audit Committee, the Board and various other internal departments of our Company (including but not limited to the financial assets department and the compliance and legal department) will also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, our management also regularly reviews the pricing policies of the framework agreements;

- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 of the Listing Rules that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;

- when considering the actual rental and other charges and service fees for the services to be provided to our Group by the connected persons, we will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties; and

- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders will abstain from voting on the resolutions to approve such continuing connected transactions at the relevant board meetings or shareholders' meetings (as the case may be), and the terms of the proposed renewal or revisions of the framework agreements will be considered by our independent Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole, and the proposed annual cap in respect of such transactions is fair and reasonable and in the interest of our Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documentation and data provided by our Company, the Joint Sponsors are of the view that the abovementioned continuing connected transactions have been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole, and the proposed annual cap in respect of such transactions is fair and reasonable and in the interest of our Company and the Shareholders as a whole.

WAIVERS FROM THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and shareholders' approval requirements in respect of the transactions described under the sub-section headed "Non-exempt Continuing Connected Transactions".

The independent non-executive Directors and auditors of our Company will review whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant framework agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

Our Company will comply with the applicable requirements under the Listing Rules if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of these transactions.

OVERVIEW

As of the Latest Practicable Date, Shanxi CIG, directly and indirectly, held 100% interest in our share capital. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Shanxi CIG will, directly and indirectly, hold approximately 75% interest in our share capital and accordingly, be our Controlling Shareholder immediately after the Listing.

For details of the Controlling Shareholder and its shareholding in the Company, see "Substantial Shareholder" of this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholder and its associates after Listing.

Management Independence

Our Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors. For more details, see "Directors, Supervisor and Senior Management" of this prospectus.

Our Group's daily management and operational decisions are made by our executive Directors and senior management. Upon Listing, certain Directors will continue to hold directorships and roles at SCIG Group as set out below:

Name of Director	Position in our Company	Positions in SCIG Group
Mr. Wang Limin	Chairman and executive Director	– Chairman of Shanxi CIG International Investment Company Limited* (山西建投國際投資有限公司) (a subsidiary of Shanxi CIG) – Chairman of Shanxi CIG (Hong Kong) Limited (a subsidiary of Shanxi CIG) – Chairman of Shanxi CIG South East Jin Construction Industry Company Limited* (山西建投晉東南建築產業有限公司) (a subsidiary of Shanxi CIG) – General manager of Eastern China Headquarters of Shanxi CIG

Name of Director	Position in our Company	Positions in SCIG Group
Mr. Xu Guanshi	Non-executive Director	– Head of the General Office of Shanxi CIG
		– Director of Shanxi Construction Investment Group Decoration Co., Ltd. (山西建投集團裝飾有限公司) (a subsidiary of Shanxi CIG)
Mr. Zhang Hongjie	Non-executive Director	– Head of Capital Management Department of Shanxi CIG
		– Outside director of Shanxi Eighth Construction Group Company Limited* (山西八建集團有限公司) (a subsidiary of Shanxi CIG)
		– Supervisor of Shanxi Jian'an Non Financing Guarantee Company Limited (山西建安非融資性擔保有限責任公司) (a subsidiary of Shanxi CIG)
		– Director of SCIG Yingbin Road Construction Project Management Company Limited (山西建投迎賓大道工程項目管理有限公司) (a subsidiary of Shanxi CIG)
		– Director of Central Jin Jianyuan National and Provincial Road Surface Improvement Project Management Company Limited (晉中建遠國省道路面改造項目管理有限公司) (a subsidiary of Shanxi CIG)
		– Director of Shanxi CIG Jinshuo Project Management Company Limited (山西建投晉朔項目管理有限公司) (a subsidiary of Shanxi CIG)

Name of Director	Position in our Company	Positions in SCIG Group
		– Director of Shenzhen Huakong SEG Co. Ltd. (深圳華控賽格股份有限公司)
		– Supervisor of Shanghai Rongda
		– Supervisor of Beijing Jinfa Asset Management Company Limited (北京晉發資產管理有限公司) (a subsidiary of Shanxi CIG)
Mr. Mu Jianwei	Non-executive Director	– Head of the Party's Propaganda Department in Shanxi CIG
		– Director of Shanxi Construction Investment City Operation Group., Ltd. (山西建投城市運營集團有限公司)
Mr. Feng Cheng	Non-executive Director	– Deputy head of the Audit and Risk Control Department of Shanxi CIG
		– Supervisor of Shanxi CIG International Investment Company Limited* (山西建投國際投資有限公司) (a subsidiary of Shanxi CIG)
		– Outside director of SCIG International Construction Group Company Limited* (山西建投國際建設集團有限公司) (a subsidiary of Shanxi CIG)
		– Director of SCIG South Jin Construction Industry Company Limited* (山西建投晉南建築產業有限公司) (a subsidiary of Shanxi CIG)

The executive Directors and the senior management team are responsible for the day-to-day management of our operations. We have also appointed four independent non-executive Directors who have sufficient knowledge, experience and competence to provide independent view to our Board to promote the interests of our Company and the Shareholders as a whole.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit of and in the best interests of our Company and no conflict between his/her duties as a Director and his/her personal interests shall exist. Our Company has established internal control mechanisms to identify connected transactions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or its associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis. The daily operation of our Group is carried out by an experienced management team substantially independent from our Controlling Shareholder.

Operational Independence

We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. We have independent access to suppliers and customers. We are also in possession of all relevant assets, licenses, trademarks and other intellectual property necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholder and our Group is able to operate independently from our Controlling Shareholder after the Listing.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs.

As of June 30, 2023, our Controlling Shareholder has not provided guarantee for any of our bank loans.

Our Directors confirm that we will not rely on our Controlling Shareholder for financing after the Listing as we expect that our working capital will be funded by our operating income and bank borrowings. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholder and its associates.

RULE 8.10 OF THE LISTING RULES

Save as disclosed in this section and the sections headed "History, Development and Corporate Structure", "Continuing Connected Transactions" and "Directors, Supervisors and Senior Management" of this prospectus, our Controlling Shareholder, the Directors and their respective close associates do not have any interest in a business apart from our business which competes or is likely to compete, directly or indirectly, with our business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

COMPETING BUSINESS

Business of our Group

Our Group is principally engaged in the businesses of (i) specialized industrial construction, where we provide design consulting, construction contracting and other services for professional projects, including power engineering projects, petrochemical engineering projects and water conservancy and hydropower engineering projects; (ii) specialized auxiliary construction, where we provide design consulting, construction and operation and maintenance services for roads and bridges engineering as well as urban supporting heating engineering projects; (iii) other construction and (iv) non-construction business. For the three years ended December 31, 2022 and six months ended June 30, 2023, we derived in aggregate over 70% of our total revenue from the specialized industrial construction segment and the specialized auxiliary construction segment (collectively, the "**Major Business Segments**"). For further details of our business, please refer to "Business" in this prospectus.

Business of our Controlling Shareholder

During the Track Record Period, apart from holding the shares in our Company, Shanxi CIG was principally engaged in the businesses of (i) building construction; (ii) investment, construction and operation of infrastructure; (iii) real estate development; and (iv) other business including logistics services, survey and design consultation services, construction labor subcontracting services and financial services. For each year/period during the Track Record Period, SCIG Group derived an aggregate of around 80% of its gross production value from the building construction segment (which comprises of residential building construction, commercial building construction, office building construction and public building construction) and the infrastructure construction segment (mainly roads and bridges construction projects).

Competitions in our Major Business Segments

During the Track Record Period, there were certain degree of competition between our Group and SCIG Group in our Major Business Segments.

Specialized industrial construction segment

The following table sets forth (i) the ratio of segment revenue in the specialized industrial construction segment to the total revenue of our Group; (ii) the ratio of segment gross production value in the specialized industrial construction segment to the total gross production value of SCIG Group for the years/period as indicated:

	Our Group				SCIG Group			
	For the year ended December 31,			For the six months ended June 30,	For the year ended December 31,			For the six months ended June 30,
	2020	2021	2022	2023	2020	2021	2022	2023
Specialized industrial construction (total)	53.4%	52.5%	59.1%	55.9%	4.8%	5.0%	4.3%	5.2%
- Include: waterworks and hydraulic power engineering	3.0%	1.3%	0.6%	0.3%	0.5%	0.5%	1.0%	1.1%

As demonstrated above, the gross production value in the specialized industrial construction segment of the SCIG Group during the Track Record Period were immaterial. In addition, SCIG Group has undertaken not to compete with us for most of the works under the special industrial construction segment in the PRC except for the waterworks and hydraulic power engineering subsegment where both our Group and SCIG Group has generated insignificant revenue or gross production value is subject to different Restricted Regions. Please refer to "– Non-competition Agreement" hereinafter for further details.

Specialized auxiliary construction segment

The following table sets forth (i) the ratio of segment revenue in the specialized auxiliary construction segment to the total revenue of our Group; and (ii) the ratio of segment gross production value in the specialized auxiliary construction segment to the total gross production value of SCIG Group for the years/period as indicated:

	Our Group				SCIG Group			
	For the year ended December 31,			For the six months ended June 30, 2023	For the year ended December 31,			For the six months ended June 30, 2023
	2020	2021	2022		2020	2021	2022	
Specialized auxiliary construction (total)	26.0%	23.5%	16.3%	17.6%	22.6%	26.2%	30.1%	30.9%
– Include: roads and bridges construction	2.8%	2.2%	1.3%	3.5%	12.0%	9.9%	13.3%	13.9%

Even though the major competition between our Group and SCIG Group under the specialized auxiliary construction segment is the roads and bridges construction subsegment, considering that (i) the roads and bridges construction market in the PRC is sizable with a large number of market participants; and (ii) roads and bridges construction subsegment is not our business focus and did not account for significant share of our total revenue during the Track Record Period; and (iii) we obtained businesses in roads and bridges construction subsegment through bidding process, our Directors are of the view that any potential competition in roads and bridges construction subsegment between our Group and SCIG Group is similar to the nature of the competition between our Group and other Independent Third Parties construction contracting companies as the selection of service provider is based on the discretion of the customer taking into account merits of the bidding process.

Besides the roads and bridges construction subsegment, SCIG Group has also been involved in standardized workshops construction, heating engineering and environmental protection engineering subsegments under the specialized auxiliary construction segment. Save for the standardized workshops construction subsegment which contributed as to 2.9%, 5.3%, 7.9% and 10.3% of the gross production value of SCIG Group for the three years ended December 31, 2022 and the six months ended June 30, 2023 and the environmental protection engineering subsegment which contributed as to 7.2% of the gross production value of SCIG Group for the year ended December 31, 2021, all the other subsegments under the specialized auxiliary construction segment contributed less than 5% of the gross production value of SCIG Group in each year during the Track Record Period.

Other construction segment

The following table sets forth the ratio of segment revenue in the other construction segment to the total revenue of our Group:

	Our Group			
	For the year ended December 31,			For the six months ended June 30,
	2020	2021	2022	2023
Other construction (total)	13.4%	15.7%	14.8%	14.6%
– Include: building construction	13.4%	15.7%	14.4%	13.8%

During the Track Record Period, the major competition between our Group and SCIG Group took place in our other construction segment, in particular, the building construction subsegment. We recorded approximately RMB1,358 million, RMB2,080 million, RMB1,845 million and RMB726.2 million of our total revenue from the building construction subsegment for the three years ended December 31, 2022 and the six months ended June 30, 2023 respectively.

Also, as demonstrated above, during the Track Record Period, the revenue generated from our other construction segment did not contribute in a significant manner (less than 16%) to our total revenue generated. Most of our top projects (in terms of revenue) in the building construction subsegment are livelihood projects, such as Taiyuan City Talent Apartment which helps the government to introduce talents and serve social and economic development. Despite the profit margins of those livelihood projects are generally lower than our overall profit margins, the Directors are of the view that we should undertake such government housing projects to optimise the use of our resources, expand our revenue source and construction profolio. Thus, we would participate the open bidding process of a government housing project when it is considered our Group has sufficient resources to undertake such project at the relevant time. However, in view that it requires considerable resources input which may affect our Group's performance in the principal business segments, our Group does not intend to include the building construction subsegment as one of its main business focuses. In this connection, for the year ended December 31, 2022, the percentage of our new contract amount attributable to the building construction subsegment accounted for less than 4.5% of the aggregate value of new contracts entered into during such period, which is materially lower than that of 6.5% and 11.4% for the two years ended December 31, 2021. The Directors will consider the size, complexity and location of the project, our Group's financial resources, manpower, profitability and profile of the project, and other relevant factors before committing our Group to any new business opportunities in the building construction subsegment.

Considering that (i) the building construction market in the PRC is sizable with a large number of market participants; and (ii) the building construction subsegment is not our main business focus and did not account for major share of our total revenue during the Track Record Period, where we did not actively seek business opportunities in this segment and only occasionally undertook projects in this subsegment by introduction to the bidding opportunities of these projects through our business acquaintances with our customers, our Directors are of the view that any potential competition in the building construction subsegment between our Group and SCIG Group is of no difference from the competition between our Group and other Independent Third Parties construction contracting companies as the selection of service provider is based on the discretion of the customer taking into account merits of the bidding process.

Historical Position

During the Track Record Period, our Group had tendered for a total of 3,598 projects and out of which, SCIG Group had also submitted tenders for 208 projects. Given that Shanxi CIG has undertaken not to compete with our Group, among others, in the Restricted Businesses in the Restricted Regions upon Listing, after excluding projects of the Restricted Businesses in the Restricted Regions, our Group and SCIG Group had both submitted tenders for a total of 59 projects. All those 59 projects had been tendered through open bidding process (representing approximately 2.6% of the total number of open tenders our Group has participated during the same period). Out of those 59 projects, our Group had been awarded with 15 projects (representing approximately 3.1% of the total number of projects awarded to our Group through open bidding process during the same period) while SCIG Group had been awarded with 27 projects and the rest had been awarded to other Independent Third Parties bidders. In all those cases, each of our Group and SCIG Group had individually resolved to participate in the bidding process and had also composed respective tender documents independently.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiry, during the same period, Shanxi CIG has not exerted any influence over our Group in relation to our Group's decision regarding any bidding process including the projects that both SCIG Group and our Group had participated in the bidding process. During the same period, our Group has obtained approximately 33.3% (in terms of contract sum) of our projects through open bidding process and the rest through private contracting (in accordance with the relevant PRC laws, government projects and government funding projects can only be contracted out through open bidding process, while private projects can use open bidding or private contracting at the owner's discretion).

Effect of the Non-competition Agreement on our principal business segments

In order to safeguard our interests in our principal business segments, we have entered in to the Non-competition Agreement with Shanxi CIG (for itself and on behalf of the SCIG Group) on November 3, 2023. For details, please see "– Non-competition Agreement" hereinafter.

The following table sets forth the ratio of segment revenue of our principal segments subject to competition with SCIG Group to the total revenue of our Group assuming the Non-competition Agreement have been taken effect throughout the Track Record Period:

	Our Group			
	For the year ended December 31,			For the six months ended June 30,
	2020	2021	2022	2023
Specialized industrial construction	0.0%	0.1%	0.1%	0.0%
Specialized auxiliary construction	2.0%	1.9%	1.3%	3.4%
– Include: roads and bridges construction	1.5%	1.7%	1.1%	3.3%

As demonstrated above, should the Non-competition Agreement had been put in place during the Track Record Period, our Group would only have minimal portion of up to 0.1% of its revenue from the specialized industrial construction segment, and insignificant portion of up to 3.4% of its revenue from the specialized auxiliary construction segment (including the roads and bridges construction subsegment which forms the major part of the competition in the specialized industrial construction segment).

Business Delineation

In view of the above analysis, our Directors believe our Group's business can still be clearly delineated from the business of SCIG Group.

Note:

In this paragraph, "gross production value" are used to demonstrate the composition of SCIG Group's income from various segments of the construction industry because Shanxi CIG does not have any consolidated accounts. The gross production value of SCIG Group for the three years ended December 31, 2022 and the six months ended June 30, 2023 were computed by Shanxi CIG on its own by adding up the production value of all engineering works undertaken by members of SCIG Group during the relevant periods. The gross production value of SCIG Group has not taken into account (i) any value-added tax imposed on those engineering works, and (ii) incomes generated from other businesses of SCIG Group which are not engineering works in nature. As both the production value for each segment and the gross production value of SCIG Group have not been audited, the percentages relating to SCIG Group set out hereinabove are for demonstration purpose only.

NON-COMPETITION AGREEMENT

Non-competition

To ensure that competition does not develop between us and other business activities and/or interests of our Controlling Shareholder, our Controlling Shareholder (the "**Covenantor**") (for itself and each member of its group, excluding members of our Group) has entered into a Non-competition Agreement in favor of our Company (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) on November 3, 2023, pursuant to which the Covenantor has, among other things, irrevocably and unconditionally undertaken with our Company that at any time during the Relevant Period (as defined below), it shall not, and shall procure that its close associates (other than members of our Group) not to, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the Restricted Regions (as defined hereinafter) which are the same as, similar to or in competition or likely to be in competition with the Restricted Businesses (as defined hereinafter) carried on or contemplated to be carried on by any member of our Group from time to time.

The above restrictions do not prohibit any of the Covenantor and its associates (excluding members of our Group) from:

(a) holding any securities of any companies which conducts or is engaged in any Restricted Business through their interests in our Group;

(b) undertaking project(s) or otherwise be involved in any of the Restricted Businesses provided that the project or business opportunity has been first offered to our Group and our group has not taken it up;

(c) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (1) such investment or interest does not grant the Covenantor or its associates any right to control the composition of the board of directors or managers of such entity, (2) such investment or interest does not result in the Covenantor or its associates control the board of directors or managers of such entity and (3) such investment or interest does not grant the Covenantor or its associates any right to participate directly or indirectly in such entity.

New Business Opportunity

The Covenantor has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business ("**New Business Opportunities**" and each, a "**New Business Opportunity**") to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

- As soon as it becoming aware of any New Business Opportunity, give written notice (the "**Offer Notice**") to us identifying the target company (if relevant) and the nature of the New Opportunity, detailing all information available to it for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to it).

- Our Company shall, as soon as practicable and in any case within 30 business days from the receipt of the Offer Notice (the "**Offer Notice Period**") notify the Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party offering it, proposing or presenting the New Business Opportunity and the Covenantor shall use its best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.

- Our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity may be required.

- The Covenantor may, at its absolute discretion, consider extending the Offer Notice Period as appropriate.

- The Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:

  (i) it has received a written notice from us declining the New Business Opportunity; or

  (ii) it has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 30 business days from our receipt of the Offer Notice, or if it has extended the Offer Notice Period, within such other period as agreed by it, in which case our Company shall be deemed to have declined the New Business Opportunity.

- If there is a change in the nature or proposal of the New Business Opportunity pursued by the Covenantor, it shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantor, for itself and on behalf of its associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in public announcements or annual reports of our Company our decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

Under the Non-competition Agreement, the Covenantor has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

(i) the Covenantor shall provide, and shall procure its associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantor's and its associates' (other than members of our Group) compliance with the Non-competition Agreement, and to enable the independent non-executive Directors to enforce the Non-competition Agreement;

(ii) without prejudicing the generality of paragraph (i) above, the Covenantor shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Non-competition Agreement;

(iii) the Covenantor has agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-competition Agreement, either through our annual reports or by way of public announcements; and

(iv) the Covenantor agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Non-competition Agreement by the Covenantor or any of its associates.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Non-competition Agreement either in the annual report of our Company or by way of announcement to the public.

For the purposes of the above:

"Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of (i) the date when the Covenantor and any of its associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company or (ii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares).

"**Restricted Businesses**" and "**Restricted Regions**" in respect of each Restricted Business shall be as follows

Restricted Business	**Restricted Regions**
Specialized industrial construction projects:	
– power engineering, petrochemical engineering, metallurgical engineering, electromechanical installation engineering and urban metro transit (station)	The PRC
– waterworks and hydraulic power engineering projects	Jiexiu City and Xinjiang City of Shanxi Province, Laibin City of Guangxi Zhuang Autonomous Region, and Chongqing City
Specialized auxiliary construction projects:	
– water supply engineering, drainage engineering, urban supporting heating engineering, gas engineering, environmental protection engineering, standardized workshop and agricultural engineering	The PRC
– Roads and bridges construction projects	Gaoping City and Linfen City of Shanxi Province, Jingzhou City and Xiangyang City of Hubei Province, and Huaibei City of Anhui Province
Other construction projects:	
– Science, education, culture and health building (the "**SECH Building**") construction projects	Jin City and Datong City of Shanxi Province
– projects requiring Grade A Qualification for Building Intelligent System Design	The PRC
– projects requiring Grade A Qualification for Fire Protection Engineering Design	The PRC
– projects requiring Grade A Safety Service Capability of Chemical Facilities Dismantle Enterprises (化工裝置拆除施工企業安全服務能力甲級)	The PRC

The Restricted Regions were determined to cover the regions where our Group has established subsidiaries and presence in order to protect our businesses from competing with SCIG Group. We consider there are sufficient business opportunities in the relevant Restricted Regions for our Group to further strengthen our local presence for the relevant Restricted Business in the near future. The Restricted Regions were set to protect the interests of our Group and our Group is free to operate business within and outside of the Restricted Regions. The establishment of the Restricted Regions is solely for the benefits of our Group and we will not operate relevant businesses only within the Restricted Regions but will seize suitable opportunities elsewhere as appropriate. During the Track Record Period, SCIG Group has carried out relevant business operations in the respective Restricted Regions. For the three years ended December 31, 2022 and the six months ended June 30, 2023, SCIG Group only recorded 0.6%, 0.8%, 1.6% and 1.7% of its gross production value from Roads and Bridges Construction Subsegment within relevant Restricted Regions. Nonetheless, SCIG Group has undertaken not to continue the relevant business operations in the respective Restricted Regions during the Relevant Period unless in accordance with the terms of the Non-competition Agreement. For avoidance of doubt, pursuant to the expected completion timetable under the relevant construction project contracts, SCIG Group's existing projects within the relevant Restricted Regions will be continued until their respective completion and based on the contract term and the expected completion timetable of the respective projects stated in the relevant contracts, it is expected those projects will be completed within two years from the Listing. We intend to strictly enforce the Non-competition Agreement and will not subcontract any Restricted Business within relevant Restricted Regions to SCIG Group under the Bilateral Construction Services Framework Agreement after the Listing.

The Non-competition Agreement will take effect upon the Listing.

Internal Control Measures

In order to resolve actual or potential conflicts of interests between our Company and our Controlling Shareholder, and to ensure the performance of the above non-competition undertakings, our Company has adopted the following internal control measures:

(a) in case of any actual or potential conflict of interest, the Covenantor and any interested Directors will abstain attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors to provide details on the New Business Opportunity) and shall not be counted towards the quorum for such meeting;

(b) the Covenantor will, as required by our Company, provide all information necessary for the independent non-executive Directors to conduct annual review on the compliance with the terms of the Non-competition Agreement and the enforcement of it;

(c) our Company will disclose to the public either in the annual report of our Company or issue an announcement (if necessary) in relation to any decision, and where applicable the reasons for such decisions, made by the independent non-executive Directors to pursue or decline the New Business Opportunity, together with the reasons in case of decline with regard to the compliance of the terms of the Non-competition Agreement and the enforcement of it;

(d) our Company will disclose the decision(s) and related basis on matters reviewed by the independent non-executive Directors in relation to our Company's compliance of the terms of the of Non-competition Agreement and make a declaration in relation to the compliance of the terms of the of Non-competition Agreement in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Non-competition Agreement and the enforcement of it are in accordance with the requirements of the Listing Rules;

(e) the Covenantor will, during the period when the Non-competition Agreement is in force, fully and effectually indemnify our Company and/or its subsidiaries against any loss, liability, damage, cost, fee and expense as a result of any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Non-competition Agreement; and

(f) the independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter(s) relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

Given the fundamental differences in the primary business focus of our Group and SCIG Group, and with the above internal control measures and Non-competition Agreement in place, together with the facts that the competition in the Potential Competing Subsegments between our Group and SCIG Group is of no difference from the competition between our Group and other Independent Third Parties, in particular, on the percentage of our new contract amount attributable to the building construction subsegment for the year ended December 31, 2022, was substantially lower than that for the two years ended December 31, 2021. our Directors (including our independent non-executive Directors) are of the view, which the Joint Sponsors concur with, that there will be no direct competition in the principal business segments of our Company (i.e. Restricted Businesses in the Restricted Regions) and our Company is able to protect its business interests from our Controlling Shareholder.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, reelection and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholder:

1. the Company has established internal control mechanisms to identify connected transactions. Upon Listing, if the Company enters into connected transactions with our Controlling Shareholder or its associates, the Company will comply with the applicable Listing Rules;

2. where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholder or its associates have any material interest, our Controlling Shareholder shall not vote on the resolutions and shall not be counted in the quorum for the voting;

3. our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in the section headed "Directors, Supervisors and Senior Management" individually and together possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and our Controlling Shareholder and provide impartial and professional advice to protect the interest of our minority Shareholders;

4. where the advice from an independent professional, such as that from a financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at the Company's expenses; and

5. we have appointed Shanxi Securities International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholder, and to protect minority shareholders' rights after the Listing.

BOARD OF DIRECTORS

Our Board of Directors comprises 11 Directors, including three executive Directors, four non-executive Directors and four independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business.

The following table summarized certain information in respect of our Directors:

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Roles and responsibilities
Wang Limin (王利民)	48	October 1994	March 2018	Chairman and executive Director	Leading the Board and in charge of our Audit and Risk Control Department
Ren Rui (任鋭)	42	June 2014	February 2018	Vice president, executive Director and general manager	Oversees our daily production, operation and management, and in charge of our Planning and Development Department
Zhang Yan (張琰)	51	June 2011	September 2013	Vice president and executive Director	Oversees matters relating to Party building, human resources, complaints and proposals, back office functions and property management and in charge of our General Office and Human Resources Department

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Roles and responsibilities
Xu Guanshi (徐官師)	50	October 2021	October 2021	Non-executive Director	Supervises the Board and the senior management and provides different perspective to matters to be considered by the Board
Zhang Hongjie (張宏杰)	44	October 2021	October 2021	Non-executive Director	Supervises the Board and the senior management and provides different perspective to matters to be considered by the Board
Mu Jianwei (慕建偉)	51	March 2022	March 2022	Non-executive Director	Supervises the Board and the senior management and provides different perspective to matters to be considered by the Board

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Roles and responsibilities
Feng Cheng (馮成)	50	October 2021	October 2021	Non-executive Director	Supervises the Board and the senior management and provides different perspective to matters to be considered by the Board
Wang Jingming (王景明)	61	March 2022	March 2022	Independent non-executive Director	Provides independent opinion and judgment to our Board
Wu Qiusheng (吳秋生)	60	March 2022	March 2022	Independent non-executive Director	Provides independent opinion and judgment to our Board
Shin Chuck Yin (單婥然)	49	March 2022	March 2022	Independent non-executive Director	Provides independent opinion and judgment to our Board
Guo He (郭禾)	60	October 2022	October 2022	Independent non-executive Director	Provides independent opinion and judgment to our Board

DIRECTORS

Executive Directors

Mr. Wang Limin (王利民), aged 48, the chairman and executive Director of our Company, was appointed as a Director in March 2018 and was subsequently re-designated as an executive Director in March 2022. Mr. Wang is responsible for leading the Board and he is also in charge of our Audit and Risk Control Department.

Mr. Wang has over 20 years of experience in the construction industry. Mr. Wang joined our Shanghai branch in October 1994 initially as an installation worker and worked his way to be the deputy manager of our Shanghai branch in February 2004. In March 2011, Mr. Wang took the role of head of our Engineering Department. Mr. Wang became the head of our Safety Production department in March 2014 and was promoted to be our deputy chief engineer and the executive deputy general manager of our Shanghai branch in June 2014. He was further promoted to be our deputy general manager in April 2016 and subsequently became our deputy secretary of the Communist Party Committee of our Company, our general manager in March 2018. Mr. Wang has been the secretary of Communist Party Committee of our Company and our chairman since November 2020.

In January 2010, Mr. Wang obtained a bachelor's degree in Electronic Engineering and Automation from Tongji University through correspondence courses and a bachelor's degree in Water Supply and Drainage Engineering from Jianghan University also through correspondence courses. In June 2020, he obtained a master's degree in Business Administration from Shanxi University of Finance and Economics.

Mr. Wang was recognized as a constructor in electromechanical installation by the Human Resources Bureau of Shanxi Province in November 2006, and a senior engineer in water supply and drainage engineering by the Human Resources and Social Security Bureau of Shanxi Province in December 2019.

Mr. Wang received the special honor certificate as the leader of engineering (contractor) enterprise winning 2019-2020 China Excellent Installation Project Award (China Installation Star) (2019-2020年度中國安裝工程優質獎(中國安裝之星)工程企業領導人(承建)特別榮譽證書) from China Installation Association (中國安裝協會) and was named the 2020 National Excellent Integrity Entrepreneur (2020年度全國優秀誠信企業家) by Commercial Credit Center (商業信用中心) and "Enterprise Management" Magazine Publisher (《企業管理》雜誌社).

Mr. Ren Rui (任銳), aged 42, the vice president and executive Director of our Company, was appointed as a Director in February 2018 and was subsequently re-designated as an executive Director in March 2022. Mr. Ren is also the general manager of our Company and is responsible for our Group's daily production, operation and management, and he is also in charge of our Planning and Development Department.

Mr. Ren has around 22 years' experience in the construction industry. Mr. Ren worked for Shanxi Sijian Group Company Limited* (山西四建集團有限公司, "**Shanxi Sijian**") since October 2000 and was promoted to be a deputy manager of the Ventilation and Air-conditioning Installation Branch Company (通風空調安裝分公司) of Shanxi Sijian in March 2012. Mr. Ren joined our Group in June 2014 as the manager of our Municipal Engineering Branch Company before he was promoted to be a deputy general manager of our Company in July 2017. He was further promoted to be a Director in February 2018 while continued to serve as one of our deputy general manager and was subsequently appointed as the deputy secretary of the Communist Party Committee of our Company in February 2021. Mr. Ren has been our general manager since February 2021.

Mr. Ren obtained a bachelor's degree in Civil Engineering from Chongqing University in January 2017 through correspondence courses. He has also attended the Tenth Youth Cadre Development Program organized by the Party School of Shanxi Province (Shanxi Academic of Governance) in November 2019.

Mr. Ren was appointed by Shanxi CIG (known as Shanxi Construction Engineering (Group) Corporation* (山西建築工程(集團)總公司, at the relevant time) as an engineer in October 2014.

Mr. Ren was named as one of the "2013 Outstanding Project Manager of Shanxi Construction Enterprises" by Shanxi Construction Industry Association in January 2014. Mr. Ren was named as the "Outstanding Person of 2016-2017 in the Standardization of the Safety and Quality in Construction Engineering of China" (2016-2017年度中國工程建設安全質量標準化先進個人) by the Construction Safety Professional Committee of the China Association for Engineering Construction Standardization (中國工程建設標準化協會施工安全專業委員會) in 2017 and the "Outstanding Leader in Quality Management" (質量管理卓越領導者) by Beijing ZhongJianXie Certification Centre Co., Ltd. (北京中建協認證中心有限公司) in 2019, respectively.

Mr. Zhang Yan (張琰), aged 51, the vice president and executive Director of our Company, was appointed as a Director in September 2013 and was subsequently re-designated as an executive Director in March 2022. Mr. Zhang is responsible for matters relating to the building of Communist Party's human resources, complaints and proposals, back office functions and property management and is in charge of our General Office and Human Resources Department.

Mr. Zhang has nearly 30 years of experience in the construction industry. Before joining our Group, Mr. Zhang has been an officer in the second branch company of Shanxi Sijian from July 1993 to December 1995 and subsequently served as a secretary, deputy chief officer and chief officer of the general office of Shanxi Sijian. In September 1998, Mr. Zhang became the head of the Administration Department of Shanxi Sijian. In November 2000, he was appointed as the deputy chief economist of Shanxi Sijian. In January 2003, Mr. Zhang joined Shanxi Construction Engineering (Group) Corporation and served as the secretary of general office until he joined our Company. Mr. Zhang joined our Company in June 2011 as the secretary of the Communist Party Committee. He was elected as the chairman of labors' union of our Company in February 2018 while he continued to be the full-time secretary of the Communist Party Committee. Currently, Mr. Zhang is a member of the Communist Party Committee, a full-time Deputy Secretary of the Communist Party Committee and chairman of the labor's union of our Company.

Mr. Zhang obtained a bachelor's degree in Chinese Literature from Shanxi University in July 1993 and he completed the master program in Legal Theory in the Party School of the Central Committee of C.P.C (National Academic of Governance) in July 2019.

Mr. Zhang was recognized as a senior economist in enterprise management by the Human Resources Bureau of Shanxi Province in November 2003. Mr. Zhang was named as one of the "Outstanding Worker for the Communist Party's Matters in Shanxi" (山西省優秀黨務工作者) in June 2016.

Non-executive Directors

Mr. Xu Guanshi (徐官師), aged 50, was appointed as an outside Director in October 2021 and was subsequently re-designated as a non-executive Director in March 2022.

Mr. Xu has around 25 years' experience in the construction industry. He started his career by joining in Shanxi Fifth Construction Engineering Company Limited* (山西省第五建築工程公司, "**Shanxi Fifth Construction**") in July 1996. He has been serving as deputy chief officer and chief officer of the general office, assistant to general manager and subsequently the deputy general manager, a director and a member of Communist Party Committee of Shanxi Fifth Construction during the period from April 2004 to November 2020. Before he joined Shanxi CIG as the chief officer of general office in November 2020, Mr. Xu was a deputy general manager, a director and a member of the Communist Party Committee of Shanxi Fifth Construction. Mr. Xu currently remains as the chief officer of the general office of Shanxi CIG.

Mr. Xu obtained a bachelor's degree in Economic Management from Shanxi University in July 1996.

Mr. Xu was recognized as a senior engineer in construction engineering by the Human Resources and Social Security Bureau of Shanxi Province in November 2013.

Mr. Zhang Hongjie (張宏杰), aged 44, was appointed as an outside Director in October 2021 and was subsequently re-designated as a non-executive Director in March 2022.

Mr. Zhang has around 20 years' experience in finance and accounting. Mr. Zhang has served as an accountant in the Capital Management Center of Shanxi Sijian from September 2002 to March 2010. After that, he has served as the chief officer of the Finance section of the second branch company of Shanxi Sijian until July 2011. Then, he was appointed as the deputy manager of a subsidiary of Shanxi Sijian in July 2011. In May 2016, Mr. Zhang joined Shanxi Construction Engineering (Group) Corporation and took a position in the Capital Management and Settlement Center and was subsequently promoted to be the deputy chief officer and chief officer in April 2017 and April 2020 respectively. Since November 2020, Mr. Zhang has been the head of Capital Management Department of Shanxi CIG. Mr. Zhang has been appointed as a non-independent director of Shenzhen Huakong SEG Co. Ltd. (深圳華控賽格股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000068) since April 2022.

Mr. Zhang obtained a master's degree in Business Administration from Shanxi University of Finance and Economics in July 2017.

Mr. Zhang was recognized as a senior accountant by the Human Resources and Social Security Bureau of Shanxi Province in December 2020.

Mr. Mu Jianwei (慕建偉), aged 51, was appointed as an outside Director in March 2022 and was subsequently re-designated as a non-executive Director in March 2022.

Mr. Mu has over 25 years' experience in the Communist Party's building work. From July 1995 to August 1998, Mr. Mu was the secretary of the Youth League Committee of Xizhuang Village of Yangqu County of Taiyuan City. Then he served as a clerk in the Organization Department of the Communist Party's Committee of Yangqu County until November 2000 when he was assigned to be a clerk and subsequently the deputy officer clerk in June 2004 in the Organization Department of the Communist Party's Committee of Taiyuan City. He was afterwards promoted to work in the Inspection Team of the Communist Party's Committee of Shanxi Province in December 2004 till immediately before joining our Group and he has been acting as an inspector (deputy director grade) of the Provincial Committee Inspection Team, deputy manager of Talent Office, deputy director of Cadres Education Division and inspector (director grade) of the Provincial Committee Inspection Team during such period. Mr. Mu has also been acting as the head of the Communist Party's Propaganda Department in Shanxi CIG since February 2022.

Mr. Mu completed a higher diploma program in Politics and Law from Party School of Shanxi Province (he graduated from Shanxi Academic of Governance) in July 2002 through correspondence courses and he also completed the bachelor program in Law from the Party School of the Central Committee of C.P.C (National Academic of Governance) in December 2005 also through correspondence courses.

Mr. Feng Cheng (馮成), aged 50, was appointed as an outside Director in October 2021 and was subsequently re-designated as a non-executive Director in March 2022.

Mr. Feng has around 29 years' experience in accounting. Mr. Feng served as section chief in the Finance Department of Shanxi Fifth Construction from August 1993 to October 2003. He then joined Shanxi Construction Engineering (Group) Corporation in October 2003, initially as an officer in the Audit Department and subsequently the deputy head of the Capital Management Department. He was relocated to Shanxi Fifth Construction Group Co., Ltd. (山西五建集團有限公司) in October 2015 as the chief accountant. Mr. Feng took the role of deputy head of the Audit and Risk Management Department of Shanxi CIG since September 2016.

Mr. Feng obtained a college diploma in Accounting from Shanxi University of Finance and Economics in December 1999 and he graduated from University of International Business and Economics with a bachelor's degree in Finance in July 2005 through correspondence courses.

Mr. Feng was recognized as an accountant by the Ministry of Finance of the PRC in May 1997.

Independent non-executive Directors

Mr. Wang Jingming (王景明), aged 61, was appointed as an independent non-executive Director in March 2022 taking effect on November 1, 2023.

Mr. Wang has over 40 years' experience in enterprise management, over 20 years' experience in financial management and has been acting as senior management for enterprises for over 20 years. Mr. Wang started his career as an accountant in Datong Power Station* (大同發電總廠) in September 1981. From July 1985 to October 1998, he served as the deputy chief and then the chief of finance section and finally the deputy chief accountant of Yongji Power Station* (永濟熱電廠). Mr. Wang served as the manager of the Audit Department of Shanxi Zhangze Electricity Co., Ltd.* (山西漳澤電力股份有限公司) before he joined Shanxi Huaze Aluminum Battery Company Limited* (山西華澤鋁電有限公司) as deputy general manager in January 2004. Since October 2018, Mr. Wang served SPIC Hebei Power Company Limited* (國家電投集團河北電力有限公司) and Shijiazhuang Dongfang Energy Co., Ltd.* (石家莊東方能源股份有限公司) as a deputy general manager and the chief financial officer for both companies. Since January 2018, Mr. Wang has been acting as a director or a supervisor in varies subsidiaries of State Power Investment Corporation Limited (國家電力投資集團有限公司) (retired in May 2022), including SPIC Xinjiang Electricity Power Company Limited* (國家電力投資集團新疆電力有限公司) (retired in September 2021), SPIC Henan Electricity Power Company Limited* (國家電力投資集團河南電力有限公司) (retired in January 2022), SPIC Jilin Electricity Power Company Limited* (國家電力投資集團吉林電力有限公司) (retired in January 2022), SPIC North-East Electricity Power Company Limited* (國家電力投資集團東北電力有限公司) (retired in November 2020) and SPIC Beijing Electricity Power Company Limited* (國家電力投資集團北京電力有限公司) (retired in January 2022). As at the date of this prospectus, Mr. Wang has also been a director of Chaoyang Jinda Titanium Co., Ltd. (朝陽金達鈦業股份有限公司) since July 2022.

Mr. Wang completed a postgraduate course in Accounting from Capital University of Economics and Business in December 2000.

Prof. Wu Qiusheng (吳秋生), aged 60, was appointed as an independent non-executive Director in March 2022 taking effect on November 1, 2023.

Prof. Wu is currently level 2 professor and PhD tutor of Shanxi University of Finance and Economics and is a leading researcher in state audit and internal control. Over the years, Prof. Wu has received various awards, such as Shanxi Provincial 1331 Project Outstanding Teacher Award (省1331工程立德樹人好老師), Shanxi Provincial Outstanding Backbone Talent Award

(三晉英才拔尖骨幹人才) and Shanxi Provincial Teaching Achievement Awards (First Class in 2013 and Grand Prize in 2019) (省級教學成果一等獎(2013)和特等獎(2019)), for his contributions in education. He has also been named as Principal of National Level First Class Professional Accounting (國家級一流專業會計學負責人) and Principal of National Level First Class Auditing Course (國家級一流專業會計學和國家級一流課程審計學負責人), Prof. Wu has also been a standing executive director of China Audit Society since 2020 and an academic director of the Audit Research Center of the PRC Government (中國政府審計研究中心). As at the date of this prospectus, Prof. Wu has published over 140 profession articles, over 10 teaching materials and three books.

Prof. Wu obtained his doctorial degree in Accounting from Tianjin University of Finance and Economics in 2006.

As at the date of this prospectus, Prof. Wu is also an independent director of Jinlihua Electric Co., Ltd. (金利華電氣股份有限公司) (Shenzhen Stock Exchange stock code 300069), an independent director of Shanxi Coal International Energy Group Co., Ltd. (山煤國際能源集團股份有限公司) (Shanghai Stock Exchange stock code: 600546) since April 2022, an independent director of Shanxi Dayu Biological Functions Co., Ltd.* (山西大禹生物工程股份有限公司) (NEEQ stock code: 871970) since February 2023 and an external supervisor of Shanxi Bank Co., Ltd.* (山西銀行股份有限公司) since April 2020. He has been an independent director of Daqin Railway Co., Ltd. (大秦鐵路股份有限公司) (Shanghai Stock Exchange stock code 601006) from May 2011 to March 2016 and an independent director of Shanxi Lu'an Environmental Energy Development Co., Ltd. (山西潞安環保能源開發股份有限公司) (Shanghai Stock Exchange stock code 601699) from November 2012 to May 2016.

Ms. Shin Chuck Yin (單婥然), aged 49, was appointed as an independent non-executive Director in March 2022 taking effect on November 1, 2023.

Ms. Shin has over 20 years' experience in finance and investment banking industry. Ms. Shin has been the managing director in the investment banking department of Diligent Capital Limited since October 2023. From July 2022 to October 2023, she served as an executive director in the investment banking department of TFI Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities and a subsidiary of Tianfeng Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601162). From May 2019 to May 2022, she served as an executive director in the investment banking department of Sunfund Capital Limited. From June 2017 to May 2019, she served as an executive director in the investment banking department of LY Capital Limited. From May 2014 to June 2017, she served as a director in the investment banking department of Orient Capital (Hong Kong) Limited. From April 2011 to April 2014, she served as the vice president of the Corporate Finance Department at China Merchants Securities (HK) Co., Ltd. From June 2009 to April 2011, she served as an associate director of the Corporate Finance Department at South China Capital Limited. Ms. Shin has served as the senior manager in the Corporate Finance Department at Guotai Junan Capital Limited, Shenwan Hongyuan Capital (H.K.) Limited and Evolution Watterson Securities Limited during the period from November 2001 to February 2009.

Ms. Shin obtained a bachelor's degree in Business Administration from The University of Hong Kong in 1995.

Ms. Shin has been a Chartered Financial Analyst since 2006, a Certified Public Accountant since 1999 and a member of The Hong Kong Institute of Certified Public Accountants since 1999.

Mr. Guo He (郭禾), aged 60, was appointed as an independent non-executive Director in October 2022 taking effect on November 1, 2023.

Mr. Guo obtained his bachelor's degree in Semiconductor Physics from Nanjing University (南京大學) in July 1982. He has been engaged in technical work in the design and manufacture of integrated circuits and semiconductor devices in Nanjing Semiconductor Factory (南京半導體總廠). Mr. Guo obtained another bachelor's degree in Intellectual Property Law from Renmin University of China (中國人民大學) in 1989 and has been teaching at the university since graduation. In 2000, he obtained a doctorate in law from Renmin University of China.

Mr. Guo has been engaged in the teaching and research of intellectual property law for more than 30 years. He is currently a full-time professor at Renmin University of China, and concurrently serves as the vice president of the China Intellectual Property Research Association (中國知識產權研究會) and the vice chairman of the Intellectual Property Law Research Association of the China Law Society (中國法學會知識產權法學研究會).

Mr. Guo is also an independent director of BOE TECHNOLOGY GROUP CO., LTD. (京東方科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000725).

SUPERVISORS

As at the date of this prospectus, the board of Supervisors of our Company consists of three members. The following table sets out certain information about our Supervisors.

Name	Age	Date of joining the Group	Date of appointment as Supervisor	Position	Roles and responsibilities
Shi Meng (石孟)	41	March 2014	October 2021	Supervisor (and the chairman of the board of Supervisors) and head of Audit and Risk Control Department	Supervises the Board and senior management

Name	Age	Date of joining the Group	Date of appointment as Supervisor	Position	Roles and responsibilities
Cao Haiyang (曹海洋)	45	September 1999	October 2021	Supervisor	Supervises the Board and senior management
Zhang Caixia (張彩霞)	40	June 2012	October 2021	Supervisor and office director of Labor Union	Supervises the Board and senior management

Mr. Shi Meng (石孟), aged 41, was appointed as a Supervisor in October 2021.

Mr. Shi has around 20 years' experience in accounting. He has been served as an accounting clerk in Shanxi Sijian from September 2002 to October 2012. Then he joined Shanxi Yijia Real Estate Development Company Limited* (山西怡佳房地產開發有限公司) as the financial controller of the Finance Department until March 2014. From March 2014 to October 2018, Mr. Shi is the chief of Finance section of our branch company and was thereafter relocated to our Finance and Asset Department where he served as the senior officer, until he was promoted the be the deputy head of our Finance and Asset Department in January 2019. From November 2019 to March 2021, Mr. Shi was appointed as the deputy head of our Audit Department and he has been the head of our Audit and Risk Control Department since March 2021.

Mr. Shi obtained a bachelor's degree in Accounting from Shanxi University of Finance and Economics in January 2018 through correspondence courses.

Mr. Shi was recognized as an accountant by the Human Resources and Social Security Bureau of Shanxi Province in October 2012 and a senior accountant in November 2021.

Mr. Cao Haiyang (曹海洋), aged 45, was appointed as a Supervisor in October 2021.

Mr. Cao joined our Company initially as a technician in the Technical and Quality Department of our Company in September 1999. From August 2007 to May 2010, he has served as the deputy head of our Construction Management Department. From May 2010, he served as the deputy manager of our Construction Branch Company. In June 2013, he was also appointed as the Communist Party branch's secretary and chairman of labors' union of our Construction Branch Company until he was designated as the deputy general manager, deputy secretary of the Communist Party Committee and chairman of labors' union of the Eighth Engineering Branch Company of our Company in March 2017. Other than his role of a Supervisor, Mr. Cao has been the secretary of the Communist Party branch and the deputy secretary of the disciplinary committee in the headquarters of our Company from September 2021 to March 2022.

Mr. Cao completed the diploma program in Industrial and Civil Building from Taiyuan University (currently known as Taiyuan College) in July 1999 and he also completed the bachelor program in Civil Engineering from Xi'an University of Architecture and Technology in June 2004 through correspondence courses.

Mr. Cao was recognized as a second grade associate constructor in construction engineering by the Human Resource Bureau of Shanxi Province in June 2008 and a senior engineer by the Human Resources and Social Security Bureau of Shanxi Province since December 2019. He was awarded with the First Class Award for Major Construction Technology Achievement in December 2019 by the Department of Housing and Urban-Rural Development of Shanxi Province and the Shanxi Province Science and Technology Award in March 2021 by The Science and Technology Department of Shanxi Province.

Ms. Zhang Caixia (張彩霞), aged 40, was appointed as a Supervisor in October 2021.

Ms. Zhang joined our Company immediately after her graduation and she is currently the head of the general office of the labor union of our Company.

Ms. Zhang obtained a bachelor's degree in Business Administration from Shanxi University in June 2012.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors and our Supervisors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, Supervisors, senior management or substantial or Controlling Shareholder of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed companies in the three years prior to the Latest Practicable Date. Immediately following completion of the Global Offering, save for the interests in the Shares which are disclosed in the section headed "Substantial Shareholder" in this Prospectus, each of our Directors and our Supervisors will not have any interest in the Shares within the meaning of Part XV of the SFO.

None of our Directors and our Supervisors have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group. See "Appendix VI – Statutory and General Information" to this Prospectus for further information about our Directors and our Supervisors, including details of the interest of our Directors and our Supervisors in the Shares and underlying shares of our Company (within the meaning of Part XV of the SFO) and particulars of the service contract and remuneration.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors and our Supervisors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors and our Supervisors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors and our Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

As set forth in note 9 to the Accountants' Report set out in Appendix I to this prospectus, certain Directors and Supervisors had resigned from their offices in our Company during the Track Record Period. Five of the Directors and Supervisors who stepped down during the Track Record Period remained serving in the Group after resigning from their respective positions as Directors and Supervisors. To the best knowledge of our Directors, after making all reasonable enquiries, our Directors confirm that save for the Directors and Supervisors who remained serving in our Group after resigning from their respective positions as Directors and Supervisors, all of the relevant resigned Directors and Supervisors have left our Group either due to their respective other work arrangements or due to retirement and none of the resigned Directors and Supervisors has any disagreement with the Board.

SENIOR MANAGEMENT

The following table shows the key information of our senior management (other than our executive Directors and Supervisors) as at the date of this prospectus:

Name	Age	Date of joining the Group	Position	Date of appointment of current position	Roles and responsibilities
Niu Xiaoping (牛小平)	47	September 2010	Deputy general manager	April 2020	Oversees our construction investment, main contracting and prefabricating construction businesses
Wang Jianjun (王建軍)	40	June 2002	Deputy general manager and chief safety officer	April 2021	Oversees matters relating to production safety, costs and settlements, and materials and labor procurements
Liang Bo (梁波)	48	September 1997	Chief engineer	March 2018	Oversees our Group's technology, technical, and quality matters
Guo Xiaobing (郭小兵)	51	April 2014	Assistant to general manager	August 2021	In charge of our legal and compliance department
Zhou Saimei (周賽梅)	43	July 2004	Chief Accountant	September 2022	Responsible for matters relating to assets, finance, capital and listing and co-managing our audit works

Mr. Niu Xiaoping (牛小平), aged 47, is a deputy general manager of our Company and is responsible for, among others, monitoring construction investment, general construction contracting, prefabricating construction and park construction of our Group.

Mr. Niu has around 27 years' experience in the construction industry. Prior to joining our Group, Mr. Niu had taken several roles in the Sixth Branch Company of Shanxi Sijian, including foreman, project manager and deputy manager from August 1995 before he was transferred to the Second Branch Company of Shanxi Sijian to act as a deputy manager in August 2008. He joined as a manager in our Construction Branch Company in September 2010. Mr. Niu was promoted in February 2017 to be a deputy general manager and subsequently the general manager in July 2017 of the Construction and Investment Department of our Company. From September 2018 to April 2020, he served as the deputy chief economics of our Company. Mr. Niu has been appointed as one of the deputy general manager of our Company since April 2020 and has also acted as a director of Shan'an Bluesky from January 2019 to April 2020.

Mr. Niu graduated with a diploma in Engineering Cost Management from Lvliang Vocational College* (呂梁高等專科學校, currently known as Lvliang University) in July 2004 through correspondence courses. He also obtained a bachelor's degree in Civil Engineering from Lanzhou University of Technology in July 2013 through correspondence courses.

Mr. Niu was recognized as an associate constructor in construction by the Housing and Urban-Rural Development Bureau of Shanxi Province in December 2009 and a senior engineer in construction engineering management by the Human Resources and Social Security Bureau of Shanxi Province in December 2016. Mr. Niu was named as one of the "2014 Outstanding Project Manager of Shanxi Construction Enterprises" by Shanxi Construction Industry Association in June 2015.

Mr. Wang Jianjun (王建軍), aged 40, is a deputy general manager and the chief safety officer of our Company and is responsible for production safety, costs and settlements, and materials and labor procurements.

Mr. Wang has around 20 years' experience in the construction industry. Mr. Wang joined our Group in June 2002 and was appointed as a deputy manager of the First Branch Company of our Company in December 2013. In July 2017, he was further promoted to be the general manger of the First Branch Company of our Company, the assistant to the general manager of our Company in April 2020 and the general manager of our New Energy Department in November 2020. He has been a deputy general manager of our Company since April 2021 and chief safety officer of our Company since September 2021.

Mr. Wang graduated with a diploma in Construction Project from Shanxi Engineering Vocational College* (山西工程職業技術學院) in January 2009 through correspondence courses. He also obtained a bachelor's degree in Electrical Engineering and Automation from Taiyuan University of Science and Technology in January 2016 through correspondence courses.

Mr. Wang was recognized as an associate constructor in electromechanical engineering by the Human Resources and Social Security Bureau of Shanxi Province in June 2011 and a senior engineer in construction engineering implementation by the Human Resources and Social Security Bureau of Shanxi Province in November 2020.

Mr. Liang Bo (梁波), aged 48, is the chief engineer of our Company and is responsible for matters relating to technology, technical, and quality.

Mr. Liang has around 25 years' experience in the construction industry. Mr. Liang joined our Group in September 1997 initially as a project technician and he had taken several roles in our Group, including an electrical engineering in our branch company and a technical officer for our direct investment projects before he was appointed as the head of our Technical Centre in July 2008. In March 2014, Mr. Liang also took the role as the head of our Technical and Quality Department. Mr. Liang was appointed as a deputy chief engineer of our Company in June 2014, was promoted to be an acting chief engineer of in January 2015 and was further promoted to be the chief engineer of our Company in March 2018. Mr. Liang currently also acts as the head of our Design Institution and BIM Research Institution.

Mr. Liang graduated with a diploma in Industrial Electrical Automation from Luoyang Industry Vocational College* (洛陽工業高等專科學校, the predecessor of Luoyang Institute of Science and Technology (洛陽理工學院)) in June 1997. In July 2009, he completed the bachelor program in Electrical Engineering and Automation from Shandong University of Technology (山東理工大學) through correspondence courses. He also obtained a master's degree in Project Management Engineering from China Three Gorges University (三峽大學) in December 2017.

Mr. Liang was recognized as a senior engineer in electrical construction by the Housing and Urban-Rural Development Bureau of Shanxi Province in December 2017. Mr. Liang was named as a "Shanxi Province Outstanding Scientific and Technological Workers" by the Shanxi Provincial Science and Technology Association in December 2019.

Mr. Guo Xiaobing (郭小兵), aged 51, is an assistant to the general manager of our Company and is responsible for our legal, compliance, and risk management and is in charge of our Legal and Compliance Department.

Mr. Guo has around 28 years' experience in finance. Mr. Guo started his career as a finance staff in Shanxi Sijian in August 1994. From March 1998 to August 2003, Mr. Guo worked at Shanxi Yinghuang Engineering Consulting Co., Ltd.* (山西引黃工程諮詢有限公司) as the head of finance. He then became a lecturer at the Shanxi University of Finance and Economics until he joined Shanxi Securities Co., Ltd. as an analyst. Mr. Guo joined our Group in May 2014 and became the deputy officer in our Capital Department in August 2014. He subsequently promoted to be the deputy chief accountant of our Company and a deputy general manager of our Construction Investment Business Department in June 2015. In January 2019. Mr. Guo was appointed as the chief investment officer of our Company and was further promoted to be the general manager of our Construction Investment Business Department in

April 2021. Since August 2021, Mr. Guo was appointed as an assistant to the general manager of our Company. Currently, Mr. Guo is also the secretary of the united Party's branch of our Construction Investment Business Department and a director of Shan'an Bluesky.

Mr. Guo graduated with a diploma in Finance from Shanxi Finance and Taxation Vocational College* (山西省財政及稅務專科學校) in July 1994. In June 2004, he obtained a master's degree in Economics from Shanxi University of Finance and Economics. In June 2012, Mr. Guo also obtained a doctorial degree in History of Economic Thoughts from Wuhan University (武漢大學).

Mr. Guo was recognized as a senior economist by the Human Resources and Social Security Bureau of Shanxi Province in November 2014.

Ms. Zhou Saimei (周賽梅), aged 43, is the chief accountant of our Company and is responsible for matters relating to assets, finance, capital and listing and is in charge of our Finance Share Service Center, Finance and Assets Department, Capital Management Department and the Listing Preparation Office.

Ms. Zhou has around 18 years' experience in finance. Ms. Zhou joined our Company in July 2004 as a cashier and has served as an accountant in our First Branch Company, an accountant in our Finance Department and our Capital Centre since August 2005 before she became a deputy head of our Finance and Assets Department in July 2014. She was appointed as the head of our Capital Centre in January 2015 and then the head of Finance and Assets Department in February 2016. During the period from March 2020 to April 2021, she worked as the deputy head of our Finance Share Service Centre. Ms. Zhou is re-appointed as the head of our Finance and Assets Department in April 2021. She started to serve as the chief accountant of the Company in September 2022.

Ms. Zhou obtained a bachelor's degree in Economics and in Accounting (double degree) from Shanxi University of Finance and Economics in July 2004.

Ms. Zhou was recognized as a senior accountant by the Human Resources and Social Security Bureau of Shanxi Province in August 2014.

JOINT COMPANY SECRETARIES

Mr. Zhang Xiaodong (張曉東), aged 39, is the secretary to the Board and one of the joint company secretaries of our Company. Mr. Zhang joined the Group in August 2005 by initially working in our fifth and sixth Branch Companies and in the Finance and Assets Department of the Company. From February 2016 to January 2019, Mr. Zhang served as a director and chief accountant of Shan'an Bluesky. From August 2017 to March 2020, he served as the head of the Listing Preparation Office responsible for overall management of the preparation of the proposed listing of Shan'an Bluesky on the National Equities Exchange and Quotations and was again appointed as the standing deputy director of the Listing Preparation Office in April 2021 for the Listing. Mr. Zhang has also served as a deputy manager of the Construction and Investment Department of our Company from November 2019 to March 2021.

Mr. Zhang graduated with a diploma in Computerized Accounting from Shanxi Finance and Taxation College in July 2005 and he completed the bachelor program in Accounting from the Central Tele-broadcast University* (中央廣播電視大學, now known as The Open University of China) in July 2009.

Mr. Zhang registered as a mid-level accountant in October 2014 and passed the International Certified Management Accountant Association certificate in International Certified Management Accountant Qualification in August 2016. He was recognized as a senior accountant by the Human Resources and Social Security Bureau of Shanxi Province in July 2022.

Ms. Chan Sze Ting (陳詩婷) is one of the joint company secretaries of our Company. Ms. Chan is an associate director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specializing in integrated business, corporate and investor services. Ms. Chan has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and an Associate of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly The Hong Kong Institute of Chartered Secretaries (HKICS)) and The Chartered Governance Institute (CGI) (formerly The Institute of Chartered Secretaries and Administrators (ICSA)) in the United Kingdom. Ms. Chan holds a bachelor's degree in law from the University of London, Britain.

Pursuant to Rule 3.28 of the Listing Rules, an issuer must appoint as its company secretary an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules, with regards to the qualifications of company secretary. For further details of the waiver application, please refer to "Waiver from Strict Compliance with the Listing Rules – Appointment of Joint Company Secretaries".

BOARD COMMITTEES

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of our audit committee are to make recommendations to our Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. Our audit committee comprises three members, namely Prof. Wu Qiusheng, Mr. Wang Jingming and Mr. Feng

Cheng. Prof. Wu Qiusheng is the chairman of the audit committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration And Appraisal Committee

We have established a remuneration and appraisal committee in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of our remuneration and appraisal committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. Our remuneration and appraisal committee comprises three members, namely Mr. Wang Jingming, Mr. Guo He and Mr. Zhang Yan. Mr. Wang Jingming is the chairman of the remuneration and appraisal committee.

Nomination Committee

We have established a nomination committee in compliance with Rule 3.27A of the Listing Rules and with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of our nomination committee are to review the structure, size and composition of our Board and our board diversity policy on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors. Our nomination committee comprises three members, namely Mr. Wang Limin, Mr. Wang Jingming and Mr. Guo He. Mr. Wang Limin is the chairman of the nomination committee.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract talents and to retain and motivate employees. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, research and development, sales and marketing, legal compliance and corporate finance. The ages of our Directors range from 42 years old to 61 years old, and we have both male and female representatives on the Board. Our nomination committee will review and assesses the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our nomination committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

We will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. We will encourage our incumbent Board members, in particular, members of our Nomination Committee, to recommend female candidate directors and take other actions to help achieve greater board diversity, for example inviting some of our outstanding female staff at mid to senior level to attend and observe Board meeting. This will allow our Board to understand more about these potential female candidates before they are nominated to our Board and provide opportunities for potential female candidates to prepare themselves for director duties. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff including but not limited to business operation, management, accounting and finance, legal and compliance. As such, we are of the view that our Board will be offered chances to identify competent female staff at mid to senior level to be nominated as a Director in future with a pipeline of female candidates.

COMPLIANCE ADVISER

We have appointed Shanxi Securities International Capital Limited as our compliance adviser upon the Listing pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise us when we consult our Compliance Advisor in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Group, including share issues and share buy-backs;

(iii) where our Group proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The terms of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

We will comply with the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules after the Listing. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

REMUNERATION POLICY

The aggregate amounts of remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution plans) for our Directors for each of the three years ended December 31, 2022 and the six months ended June 30, 2023 was approximately RMB3.5 million, RMB2.7 million, RMB6.0 million and RMB1.6 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

For each of the three years ended December 31, 2022 and the six months ended June 30, 2023, the five highest paid individuals of our Company included two, three, two and two Directors respectively. The aggregate remuneration (including salaries, allowances and benefits in kind and contributions to defined contribution plans) paid to our Group's five highest remuneration individuals were approximately RMB2.1 million, RMB1.3 million, RMB2.5 million and RMB1.4 million respectively.

During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived or agreed to waive any emoluments during the Track Record Period.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

So far as our Directors are aware, immediately following completion of the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons will have or be deemed or taken to have an interest and/or a short position in Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Type of Shares	Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	
			Number	*Approximate percentage of shareholding in the total issued share capital*	*Number*	*Approximate percentage of shareholding in the total issued share capital*
Shanxi CIG	Beneficial owner	Domestic Shares	980,000,000	73.5%	980,000,000	70.84%
	Interest in controlled corporation	Domestic Shares	20,000,000	1.5%	20,000,000	1.45%

Our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SHARE CAPITAL

As at the date of this prospectus, the registered capital of our Company is RMB1,000,000,000, divided into 1,000,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the registered capital of our Company immediately following the Global Offering will be increased to RMB1,333,334,000 and set out as follows:

Number of Shares	Description of Shares	Percentage of total share capital
1,000,000,000	Domestic Shares *(Note 1)*	75.0%
333,334,000	H Shares to be issued under the Global Offering	25.0%
1,333,334,000		100.00%

Note: These Domestic Shares may be converted into H Shares. For further details, please see "Conversion of our Domestic Shares into H Shares" in this section.

Assuming the Over-allotment Option is exercised in full, the registered capital of our Company immediately following the Global Offering will be increased to RMB1,383,334,000 and set out as follows:

Number of Shares	Description of Shares	Percentage of total share capital
1,000,000,000	Domestic Shares *(Note 1)*	72.3%
333,334,000	H Shares to be issued under the Global Offering	24.1%
50,000,000	H Shares to be issued upon full exercise of the Over-allotment Option	3.6%
1,383,334,000		100.00%

Note: These Domestic Shares may be converted into H Shares. For further details, please see "Conversion of our Domestic Shares into H Shares" in this section.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after the Listing.

SHARE CLASS

Upon completion of the Global Offering, our Domestic Shares and H Shares are both ordinary shares in our Company. H Shares may only be subscribed for and traded in HK$. Domestic Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC or via Shanghai-Hong Kong Stock Connect (滬港通) or Shenzhen-Hong Kong Stock Connect (深港通), H Shares generally cannot be subscribed for by or traded by legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC. We must pay all dividends in respect of H Shares in HK$ and all dividends in respect of Domestic Shares in Renminbi.

Except as described in this Prospectus and in relation to the despatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix V to this Prospectus, our Domestic Shares and our H Shares are regarded as one class of Shares under our Articles of Association and will rank pari passu with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. However, the transfer of Domestic Shares is subject to such restrictions as the PRC laws may impose from time to time. Save for the Global Offering we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares. Such converted H Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted shares shall have duly completed pursuant to any requisite internal approval processes and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of our Domestic Shares are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong. According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (CSRC[2019] No. 22) (《H股公司境內未上市股份申請「全流通」業務指引》(中國證券監督管理委員會公告[2019]22號)), the unlisted shares of H-share companies (including (i) unlisted domestic shares held by domestic shareholders before overseas listing; (ii) unlisted domestic shares issued overseas after overseas listing; and (iii) unlisted shares held by foreign shareholders) are allowed to be listed and traded on the Stock Exchange, and it stipulates the application procedures for the full circulation of unlisted shares of H-share company in China.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and procedure for conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on: (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates; and (ii) the admission of our H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

In view of the above, our PRC Legal Advisor, has advised us that the Articles of Association of our Company does not contradict any PRC laws and regulations in the conversion of Domestic Shares. To the best information and knowledge of our Directors, our Controlling Shareholder does not intend to convert any of Domestic Shares to H Shares.

Listing Approval by the Stock Exchange

We have applied to the Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option), which is subject to the approval by the Stock Exchange.

TRANSFER OF SHARES ISSUED PRIOR TO THE LISTING DATE

The PRC Company Law provides that in relation to the Global Offering of a company, the shares issued by a company prior to the Global Offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

Our Directors, Supervisors and senior management shall notify the Company of the Shares they hold and any changes therein. During their respective tenure of office, any Shares transferred by any of the Company's Directors, Supervisors and senior management in any year shall not exceed 25% of the relevant individual's total Shares in the Company. Shares held by any Director, Supervisor or senior management shall not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days upon listing.

INCREASE IN SHARE CAPITAL

Pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations, our Company, upon the Listing of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class of Shareholders whose interest is affected in a separate meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two-thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution.

CONVENING OF GENERAL MEETINGS

Please refer to "Appendix V – Summary of Articles of Association" in this prospectus for details of the circumstances under which general meetings of our Company are required.

OUR CORNERSTONE INVESTOR

We have entered into a cornerstone investment agreement (the "**Cornerstone Investment Agreement**" with Mingyang Smart Energy Group Co., Ltd. (明陽智慧能源集團股份公司) ("**Mingyang Smart Energy**" or the "**Cornerstone Investor**").

THE CORNERSTONE PLACING

The Cornerstone Investor has agreed to, subject to certain conditions, subscribe or cause its designated entities to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 H Shares) which may be purchased at the Offer Price with an aggregate amount of HK$157.0 million (exclusive of the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$2.10 (being the low-end of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investor would be 74,760,000 Offer Shares, representing approximately 22.4% of the Offer Shares (assuming the Over-allotment Option is not exercised), approximately 19.5% of the Offer Shares (assuming the Over-allotment Option is fully exercised), approximately 5.6% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 5.4% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Assuming an Offer Price of HK$2.23 (being the mid-point of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investor would be 70,402,000 Offer Shares, representing approximately 21.1% of the Offer Shares (assuming the Over-allotment Option is not exercised), approximately 18.4% of the Offer Shares (assuming the Over-allotment Option is fully exercised), approximately 5.3% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 5.1% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Assuming an Offer Price of HK$2.36 (being the high-end of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investor would be 66,524,000 Offer Shares, representing approximately 20.0% of the Offer Shares (assuming the Over-allotment Option is not exercised), approximately

17.4% of the Offer Shares (assuming the Over-allotment Option is fully exercised), approximately 5.0% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 4.8% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

The Cornerstone Investor will acquire the Offer Shares pursuant to, and as part of, the International Offering. Our Company is of the view that, leveraging on the Cornerstone Investor's investment experience, the Cornerstone Placing will help raise the profile of our Company. In particular, Mingyang Smart Energy is a listed company engaged in the new energy industry, its investment in our Company through the Cornerstone Placing signifies its confidence in our Company's business and prospect, and entails strategic value to our development strategy in setting foot in the new energy sector.

If there is over-allocation in the International Offering, there may be deferred delivery of the Offer Shares to be subscribed by the Cornerstone Investor under the Cornerstone Placing. The Cornerstone Investor has agreed that the Overall Coordinators may, in their sole discretion, defer the delivery of all or part of the Offer Shares that the Cornerstone Investor has subscribed for to a date later than the Listing Date. The Cornerstone Investor has agreed to pay for the relevant Offer Shares that it has subscribed before the listing of the Offer Shares on the Stock Exchange. The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules.

There are no side agreements and no side arrangements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing, and the Cornerstone Investor does not have any preferential rights in the Cornerstone Investment Agreement compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. The Cornerstone Investor will not have any representation on the Board nor become a substantial shareholder of our Company immediately upon completion of the Global Offering, and the Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement.

We became acquainted with the Cornerstone Investor through our business cooperation. As confirmed by the Cornerstone Investor, its interest in our Company as a Cornerstone Investor is based on its confidence in our Company's business and prospects. As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources.

To the best knowledge of our Company,

(i) the Cornerstone Investor is an Independent Third Party and is not our connected person, is not an existing Shareholder of our Company or a close associate of such existing Shareholder;

(ii) the Cornerstone Investor is not accustomed to take instructions from our Company, the Directors, the chief executive of our Company, our Controlling Shareholder, substantial Shareholder or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it; and

(iii) the subscription of the relevant Offer Shares by the Cornerstone Investor is not financed by our Company, the Directors, the chief executive of the Company, our Controlling Shareholder, substantial Shareholder or existing Shareholders or any of its subsidiaries or their respective close associates.

The total number of Offer Shares to be subscribed by the Cornerstone Investor pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation". The Cornerstone Investor has agreed that, in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which provides that no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, our Company, the Overall Coordinators and the Joint Sponsors have the right to adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investor in their respective absolute discretion, to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around November 21, 2023.

The following tables set out certain details of the Cornerstone Placing:

			Approximate % of total number of Offer Shares		Approximate % of the International Offer Shares		Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering	
Cornerstone Investor	Investment amount	Number of Offer Shares(1)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercise in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercise in full
Based on the Offer Price of HK$2.10 (being the low-end of the indicative Offer Price range)								
Mingyang Smart Energy	HK$157.0 million	74,760,000	22.4%	19.5%	24.9%	21.4%	5.6%	5.4%
Based on the Offer Price of HK$2.23 (being the mid point of the indicative Offer Price range)								
Mingyang Smart Energy	HK$157.0 million	70,402,000	21.1%	18.4%	23.5%	20.1%	5.3%	5.1%
Based on the Offer Price of HK$2.36 (being the high-end of the indicative Offer Price range)								
Mingyang Smart Energy	HK$157.0 million	66,524,000	20.0%	17.4%	22.2%	19.0%	5.0%	4.8%

Notes:

\# All share numbers and amounts are for illustrative purpose only.

(1) Subject to rounding down to the nearest whole board lot of 2,000 H Shares.

INFORMATION OF THE CORNERSTONE INVESTOR

Mingyang Smart Energy is a joint stock company established in the PRC on June 2, 2006. As of the Latest Practicable Date, the shares of Mingyang Smart Energy were listed on the Shanghai Stock Exchange (stock code: 601615). Mingyang Smart Energy is principally engaged in (i) the development and design of high-end new energy equipment; (ii) new energy product manufacturing; (iii) operation and maintenance of new energy power station; and (iv) the new energy investment and operation. Mingyang Smart Energy was a supplier of our Group for the two years ended December 31, 2021 and 2022, which accounted for 0.7% and less than 0.1% of our Group's purchase for the respective years.

Mingyang Smart Energy does not require approval from its shareholders to invest in our Company and no specific approval is required from the Shanghai Stock Exchange in connection with this cornerstone investment.

CONDITIONS PRECEDENT

The obligation of the Cornerstone Investor to acquire the relevant Offer Shares under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Overall Coordinators (on behalf of the underwriters of the Global Offering);

(c) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Investor Shares as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the closing of the subscription of the Offer Shares in accordance with the terms and conditions of the Cornerstone Investment Agreement) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF OFFER SHARES BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of three years following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares it has purchased pursuant to the Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investor, including the Lock-up Period restriction. The Cornerstone Investor shall not enter into agreement(s) effecting a mortgage, charge, pledge, lien or other security interest securing its and its subsidiaries' financial obligations, or enter into any other agreement or arrangement having a similar effect over the Offer Shares it had purchased pursuant to the Cornerstone Investment Agreement ("**Security(ies)**") within the first six-month period commencing from the Listing Date (the "**First Six-Month Period**"). Upon the the lapse of the First Six-Month Period, the Cornerstone Investor may only enter into agreement(s) effecting Security(ies) over its Offer Shares by delivering a written notice to the Company informing the Company of such intention at least ten (10) days prior to entering into such Security(ies) accompanied by the major terms of the written instrument(s) contemplating the creation of the Security(ies).

OVERVIEW

We are a construction service provider based in Taiyuan, a city in Shanxi Province, China. We engage in the following businesses:

- **Specialized Industrial Construction:** Our specialized industrial construction business mainly include projects related to the following fields: power engineering (thermal power generation, new energy wind power generation, new energy photovoltaic power generation, new energy geothermal power generation, hydrogen power generation, power transmission and transformation); petrochemical engineering (oil and gas storage and transportation, petrochemical engineering, chemical engineering, pharmaceutical and chemical engineering); electromechanical installation engineering; metallurgical engineering (glass, coking, cement, non-ferrous metal, ferrous metal smelting, carbon, electrolytic aluminum, electrolytic copper, etc.); water conservancy and hydropower engineering (water conservancy engineering, hydropower engineering, pumped storage); urban rail transit engineering.; mining engineering (coal mines, iron ore, aluminum ore, copper ore, etc.). The Group provides services such as investment, design consulting, construction, operation and maintenance for these specialized industrial construction projects.

- **Specialized Auxiliary Construction:** Our specialized auxiliary construction business mainly include projects related to the following fields: standardized workshops, urban supporting works such as heating, water supply, drainage, gas, communication and lighting engineering, environmental protection engineering (waste heat utilization, waste water treatment, waste treatment, waste gas treatment), road bridge engineering, low-carbon green engineering, agricultural engineering, etc. The Company provides services such as investment, design consulting, construction, operation and maintenance for these specialized auxiliary construction projects.

- **Other Construction:** We also engage in the construction of residential, office and commercial buildings, science, education, culture and health buildings and other types of projects. The Group provides general contracting services for such projects.

- **Non-Construction Business:** We also generate revenue from non-construction business, which mainly includes sales revenue from LNG, provision of urban heating technical services, operating and interest income from PPP projects, trading income and others.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our total revenue was approximately RMB10,148.6 million, RMB13,278.4 million, RMB12,844.8 million and RMB5,248.0 million, respectively; and our gross profit was RMB1,428.1 million, RMB1,747.9 million, RMB1,842.0 million and RMB786.0 million, respectively.

BASIS OF PRESENTATION

Our financial information includes the financial statements of our Company and its subsidiaries during the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting periods as our Company, with consistent accounting policies. The results of subsidiaries are consolidated from the date on which our Group obtained control, and continue to be consolidated until the date on which such control ceases.

Our financial information has been prepared in accordance with IFRSs. Our financial information has been prepared under the historical cost convention, except for investment properties which have been measured at fair value and financial guarantee contracts which have been recognized initially at fair value, and is presented in Renminbi.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following are the key factors that have affected and we expect, will continue to affect our business, financial condition, results of operations and prospects.

General economic conditions in China and government policies related to the PRC construction industry

General economic conditions in the PRC have affected and will continue to affect our business and results of operations. Our revenue directly correlates with the level of construction activities in the PRC (particularly in northern China). During the Track Record Period, most of our projects are located in northern China. Revenue from our construction projects located in northern China accounted for 76.4%, 78.0%, 79.9% and 64.4% of our total revenue in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. Changes in national or local policies related to the PRC construction industry may affect the level of activities in this industry, as well as the supply of land for property development, project financing, taxation, local government budgets and regulation on private sector's participation in the infrastructure and auxiliary construction projects.

Timing of collection on construction projects and retention amounts

During the Track Record Period, a substantial amount of our revenue was derived from our specialized industrial construction and specialized auxiliary construction. In 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue derived from specialized industrial construction business was RMB5,421.6 million, RMB6,964.9 million, RMB7,591.1 million and RMB2,932.6 million, respectively, representing 53.4%, 52.5%, 59.1% and 55.9% of our total revenue. Our revenue from specialized auxiliary construction business was RMB2,639.5 million, RMB3,118.3 million, RMB2,091.1 million and RMB921.5 million, respectively, representing 26.0%, 23.5%, 16.3% and 17.6% of our total revenue. Our construction contracts include payment schedules, which required progress payment to be made over the construction period once certain milestones are reached. Our clients generally retain 3.0%-10.0% of contract value as a warranty for the completed contract for one to three years. This amount is included in the contract assets until the end of the retention period.

Cost fluctuations in construction projects

The major components of our construction project costs are raw material costs, labor costs, machinery utilization costs, subcontracting costs and others. In 2020, 2021 and 2022 and the six months ended June 30, 2023, raw material costs accounted for 41.6%, 51.1%, 52.4% and 45.3% of our cost of sales, respectively, and labor costs accounted for 21.3%, 26.0%, 25.1% and 29.8% of our cost of sales, respectively, machinery utilization costs accounted for 6.5%, 7.3%, 5.5% and 4.5% of our cost of sales, respectively, and subcontracting costs and others accounted for 30.6%, 15.6%, 17.0% and 20.4% of our cost of sales, respectively.

Our raw material costs rose steadily during the Track Record Period. According to Frost & Sullivan, in recent years, there has been an increase in the average annual wage in the construction industry in China. Further, prices of our principal raw materials used in construction projects such as steel and cement fluctuated in China in recent years as a result of changing demand and supply dynamics. According to Frost & Sullivan, during the Track Record Period, the price of steel has declined due to drop in steel demand resulting from outbreak of COVID-19 and economic instability, while the price of cement surged due to increase in market demand of cements products. The subcontracting cost consists of fees paid to our professional subcontractors for the service they provided. The fluctuation of subcontracting fees during the Track Record Period is mainly determined by scale and level of complexity of the projects we undertook.

We price our construction projects based on cost estimates, and under the terms of certain of our contracts, the prices we submit in our bid or negotiate in our contracts are fixed. Our cost estimate is based primarily on the availability and costs of raw materials and equipment, subcontracting costs, project schedule, labor costs, the geographical location and environmental conditions of the project site, as well as the complexity and scale of the construction project, among other factors. If we are unable to accurately estimate our costs when bidding or negotiating our contracts, our profitability may be adversely affected. In addition, the actual costs are likely to fluctuate during the course of implementation of the construction project. While most of our contracts build in price adjustment clauses, we may not be able to pass the full amount of any cost increase to our customers and our results of operations may be adversely affected.

Business lines and project mix

The business lines of our business segments have different profit margins and growth prospects and, as a result, any material changes in our project mix, whether due to changes in our growth strategies, projects investment scale, market conditions, customer demand or otherwise, may affect our financial condition and results of operations.

For the year ended December 31, 2022, our gross profit margin of business segments (namely, specialized industrial construction, specialized auxiliary construction, other construction and non-construction businesses) was 12.0%, 13.1%, 11.0% and 35.5%, respectively. Of which:

- the gross profit of specialized industrial construction was RMB910.3 million, accounting for 49.4% of the total gross profit
- the gross profit of specialized auxiliary construction was RMB273.1 million, accounting for 14.8% of the total gross profit;
- the gross profit of other construction was RMB209.3 million, accounting for 11.4% of the total gross profit; and
- the gross profit of non-construction business was RMB449.4 million, accounting for 24.4% of the total gross profit.

For the six months ended June 30, 2023, our gross profit margin of respective business segments was 11.3%, 16.8%, 13.3% and 31.6%, respectively. Of which:

- the gross profit of specialized industrial construction was RMB330.5 million, accounting for 42.0% of the total gross profit;
- the gross profit of specialized auxiliary construction was RMB154.7 million, accounting for 19.7% of the total gross profit;
- the gross profit of other construction was RMB102.2 million, accounting for 13.0% of the total gross profit; and
- the gross profit of non-construction business was RMB198.7 million, accounting for 25.3% of the total gross profit.

The revenue derived from our non-construction business segment with the highest gross profit margin is mainly consisted of the revenue from LNG sales, provision of urban heating technical services, the operating and interest income of PPP projects, trading income and others.

TAXATION

Since we operate in China and our earnings and profits are substantially derived from China, our results of operations and profitability are affected by changes in the tax rate in China. Our subsidiaries incorporated and have operations in China are subject to enterprise income tax, value-added tax and other local taxes, adjusted under the relevant income tax law of China, on the taxable income reported in their PRC statutory accounts.

In 2020, 2021 and 2022 and the six months ended June 30, 2023, our effective income tax rate calculated based on income tax expense divided by profit before tax was approximately 20.3%, 11.4%, 5.8% and 8.8%, respectively. The general corporate income tax rate in PRC is 25%, however, eligible enterprises in certain encouraged economic sectors are entitled to various preferential income tax rates. Since 2015, several members of the Group in China have been subject to a preferential income tax rate:

(i) Enterprises that qualified as "High and New Technology Enterprises" are entitled to a preferential tax rate of 15%. The qualification for High and New Technology Enterprise is valid for three years. Our Company has qualified as a High and New Technology Enterprise and enjoyed a preferential tax rate of 15% per annum during the Track Record Period, and we had renewed our High and New Technology Enterprises certificate on December 7, 2021. The qualification of a High and New Technology Enterprise is subject to review by the relevant PRC authorities every three years. In the event that the qualification as a High and New Technology Enterprise is not renewed after the expiration date (although it is less likely), we will be subject to a uniformed corporate income tax rate of 25% from the year of expiration, which in turn increases our income tax.

(ii) Shanxi Shan'an Bluesky Energy Conservation Technology Co., Ltd., one of the subsidiaries of our Company, has complied with the requirements under *Notice of the MOF and the SAT regarding the Policies of Value-added Tax, Business Tax and Enterprise Income Tax on Promoting the Development of Energy-saving Service Industry* (《財政部國家稅務總局關於促進節能服務產業發展增值稅營業稅和企業所得稅政策問題的通知》) (Cai Shui [2010] No. 110), which stipulated that qualified energy-saving service enterprises, from the tax year in which the first production and operation income is obtained, those qualified enterprises are exempted from enterprise income tax ("**EIT**") from the first year to the third year of profitability, and from the fourth year to the sixth year, halved. As the contract energy management project of Phase I and Phase II units of heat supply engineering by Shanxi Xingneng Power Generation Company Limited* (山西興能發電有限責任公司), which is operated by Shanxi Shan'an Bluesky Energy Conservation Technology Co., Ltd., satisfied the relevant conditions, it enjoyed such preferential tax treatment with a valid period from January 1, 2016 to December 31, 2021. Shan'an Bluesky has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in December 2021, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 7, 2021 to December 6, 2024.

(iii) Gaoping Xinshi Yangtian Solar Power Company Limited* (高平市鑫時陽田光伏發電有限公司), one of the subsidiaries of our Company, has complied with the requirements under *Notice of the MOF and the SAT regarding the Implementation of the Catalogue of Preferential Enterprise Income Taxes for Public Infrastructure Projects* (《財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄

有關問題的通知》) (Cai Shui [2008] No. 46), which stipulated that enterprises that engaged in public infrastructure projects approved on January 1, 2008 and satisfied the relevant conditions and technical standards and the relevant national investment management regulations in the Catalogue, from the tax year in which the first production and operation income is obtained, the proceeds from investment in those qualified enterprises are exempted from corporate income tax from the first year to the third year of profitability, and from the fourth year to the sixth year, halved. As our Company's photovoltaic power generation projects fall under the preferential matters that "the proceeds from the investment and operation of key public infrastructure projects supported by the state shall be reduced or exempted from enterprise income tax on a regular basis" and has initiated the relevant filings, it enjoyed such preferential tax treatment valid from January 1, 2017 to December 31, 2022. Gaoping Xinshi Yangtian Solar Power Company Limited has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in December 2021, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 7, 2021 to December 6, 2024.

(iv) Shanxi Shan'an Biquan Haimian City Technology Company Limited* (山西山安碧泉海綿城市科技有限公司), Shanxi Shan'an Lide Environmental Technology Company Limited* (山西山安立德環保科技有限公司) and Shanxi Shan'an Maode Distributed Energy Technology Company Limited* (山西山安茂德分布式能源科技有限公司), the subsidiaries of our Company, have obtained the Certificate of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance* (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in 2019, which entitled them to a preferential EIT rate of 15% for a term of three years from 2019 to 2022. In 2022, the Shanxi Shan'an Biquan Haimian City Technology Company Limited, and Shanxi Shan'an Maode Distributed Energy Technology Company Limited have further obtained the Certificates of High and New-Technology Enterprise, both of which are eligible to a preferential corporate income tax rate of 15% for a further term of three years from from December 12, 2022 to December 11, 2025. From November 25, 2022, Shanxi Shan'an Lide Environmental Technology Company Limited is no longer entitled to this preferential tax treatment.

(v) Our Group's operations in the PRC enjoyed an additional research and development allowance tax treatment in accordance to Enterprise Income Tax Law of the PRC.

An additional 50% deduction of the research and development expense incurred from the research and development of new technologies, new products, and new techniques on the basis of the actual expenditure where no intangible asset has been capitalized from the research and development. If intangible assets have been capitalized, an additional 150% deduction was allowed on the amortization of the intangible assets.

According to the announcement and notice issued by the Ministry of Finance of the PRC (中華人民共和國財政部) and the State Taxation Administration of the PRC (中華人民共和國國家稅務總局), additional deduction ratio of research and development expenses was increase from 50% to 75% and additional deduction ratio of amortization of the intangible assets was increase from 150% to 175% during the period from January 1, 2018 to December 31, 2023.

In September 2022, according to the announcement issued by the Ministry of Finance of the PRC, the State Taxation Administration of the PRC, and the Ministry of Science and Technology, additional deduction of research and development expenses was increased on the current deduction ratio from 75% to 100% and additional deduction ratio of amortization of the intangible assets was increased on the current deduction ratio from 175% to 200% since October 1, 2022.

The termination or expiry of any of our existing preferential tax treatments will adversely affect our future operating results. Changes in the taxes applicable to our business in China in the future will affect our tax expenses and profitability. Please see "Risk Factors – Risks Relating to Conducting Business in the PRC – Under the EIT Law, we may not be classified as a "high and new-technology enterprise" of the PRC. Such classification could result in unfavorable tax consequences." for details.

SEASONALITY

We experience seasonality in our various construction businesses. For example, the hoisting of our wind power projects is affected by the windy weather, the construction in the northwest region is affected by the cold wave, and the construction in the southern region is affected by the monsoon season. We typically record higher revenue in the second half of a year relative to revenue from the first half, and our revenue from the first quarter is typically lower than that from other quarters. This seasonality is largely due to decreased construction activities in the northern regions of the PRC in the winter and the effect of the Chinese New Year, during which some of our projects are halted for the holiday. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue in northern China was RMB7,755.6 million, RMB10,352.2 million, RMB10,262.7 million and RMB3,378.4 million, respectively.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our critical accounting policies and estimates are set forth in note 3.2 to the Accountants' Report set out in Appendix I in this prospectus. IFRSs require that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purpose of giving a true and fair view of our results and financial position. Critical accounting policies, judgments and estimates are those that require management to exercise judgments, estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities, their accompanying disclosures and the disclosure of contingent liabilities. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates.

We have identified below the accounting policies and estimates that we believe are the most critical to our financial information and that involve the most significant estimates and judgments. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. Our Directors further confirm that these estimates or underlying assumptions are unlikely to change in the future.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

(a) revenue from construction contracts, on the fulfillment progress basis, as further explained in the accounting policy for "construction contracts" below;

(b) revenue from the rendering of services, upon transfer of service control;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, using the effective interest method in proportion of time, by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the right of payment is obtained.

Construction Contracts

Revenue from construction contracts is recognized over time as our performance creates and enhances an asset that the customer controls. The progress towards complete satisfaction of a performance obligation is measured based on input method, i.e. the costs incurred up to date compared with the total budgeted costs, which depict our performance towards satisfying the performance obligation.

In addition to the fixed contract fee and amount from variation order, some contracts include bonus payments which we can earn by early completion. At inception of each contract, we begin by estimating the amount of the bonus to be received using the "best estimate" approach. This amount is then included in our estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the bonus is resolved. In making this assessment, we consider its historical record of performance on similar contracts, whether we have access to the labor and materials resources needed to exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints.

Besides, claims to customers are amounts that we seek to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. We use the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which we will be entitled.

When the outcome of the contract cannot be reasonably measured, revenue is recognized only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognized in accordance with IAS 37.

We generally provide warranties for repairs to any construction defects and does not provide extended warranties in its construction contract with customers. As such, most existing warranties are considered as assurance-type warranties under IFRS 15, which are accounted for under IAS 37. Retention receivables, prior to expiration of retention period, are classified as contract assets. The relevant amount of contract asset is reclassified to trade receivables when the retention period expires.

Borrowing Cost

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalized as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Impairment of Trade Receivables

We maintain an allowance for estimated losses arising from the inability of our customers to make the required payments. We make our estimates based on the aging of our trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of our customers deteriorates such that the actual impairment loss might be higher than expected, we would be required to revise the basis for making the allowance and our future results would be affected.

Accounting Treatment of PPP Projects

For our PPP projects, we review each of our service concession arrangement contract and generally classify our activities under such arrangements into two categories, namely (i) construction and renovation, and (ii) operation. During the construction or renovation of our PPP projects, we design the relevant facilities, procure the necessary equipment, and build and/or renovate the facilities. Upon the completion of the construction or renovation, we are granted the right to operate the facilities during a specified concession period, which typically lasts for 10 to 29 years, and are entitled to services fees during the concession period to recover our costs of investment, construction, operation and maintenance and to provide us with reasonable returns.

IFRIC 12 "Service Concession Arrangements" ("**IFRIC 12**") provides guidance on the accounting to operators for public-to-private service concession arrangements. IFRIC 12 applies to public-to-private service concession arrangements if the public sector entity, as the grantor of the service arrangement, (i) controls or regulates what services the private sector entity as the operator must provide with the infrastructure, to whom it must provide and at what price; and (ii) controls any significant residual interest in the infrastructure at the end of the term of the arrangement (through ownership, beneficial entitlement or otherwise).

Our Directors are of the view that all our PPP projects are within the scope of service concession arrangements under IFRIC 12 as our service concession arrangements contain the following:

- the grantors (i.e. local government authorities) control or regulate the services that we must provide with relevant infrastructure, to whom we must provide such services, and at prices agreed by the grantors;

- the grantors of the infrastructure controls, through ownership, any significant residual interest in the infrastructure at the end of the service concession agreement; and

- the grantors restrict our practical ability to sell or pledge the infrastructure that give us continuing right of use throughout the period of the arrangements.

Our PPP Projects are mainly under BOT arrangements with the public sector entities. A BOT arrangement is a project model under public-to-private service concession arrangement in which an entity is authorized by the public sector entity under the contract to finance, design, construct and operate an infrastructure for a definite period of time, and to transfer the infrastructure to the public sector entity at the end of the contract period, at which point the obligation of the entity to operate the designed and constructed infrastructure terminates. According to the PPP contracts entered between our Group and the public sector entities, in addition to the construction work, we are also required to operate and maintain the infrastructure for the PPP Projects. For details of the responsibilities borne by our Group for our PPP projects, please refer to "Construction investment – Public-Private Partnership Project" of this section in this prospectus. Such responsibilities are considered as operation and maintenance service obligations under IFRIC 12. Under IFRIC 12, it is a common feature of BOT arrangements that the operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent on behalf of the grantor. Public sector entities would undertake to pay our Group a specified or determinable amount or the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, annually during the operation and maintenance period for the operation and maintenance services.

The operation and maintenance work of the PPP Projects is regarded as "operating the infrastructures" as we used the infrastructures to provide services to the public under which our Group, as the operator, undertook management work to operate the infrastructures for the benefit of the public (i.e. the infrastructure was under the control of us throughout the construction, operation and maintenance period until its transfer to the public sector entity). At the end of the operation and maintenance period, the control of the infrastructures will be transferred to the public sector entities. Having considered the aforementioned major features of the contractual arrangement, our PPP Projects are mainly thus regarded as BOT arrangements under IFRIC 12.

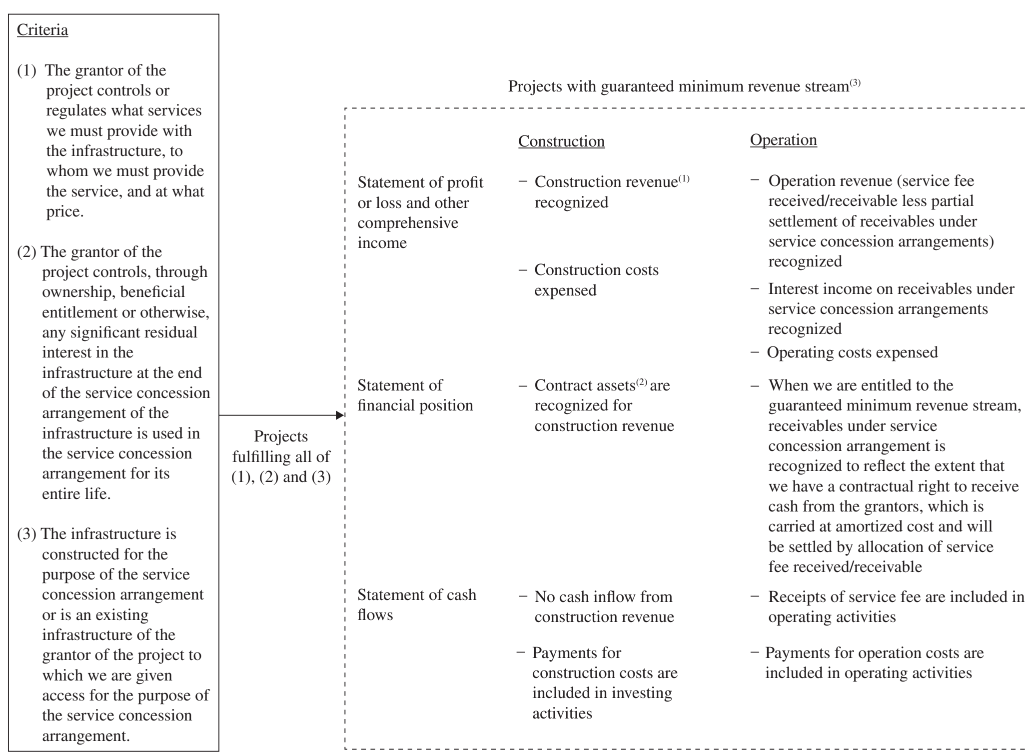
In accordance with IFRIC 12, we can:

- during the construction and renovation of the project, recognize construction revenue based on the construction costs plus a profit mark-up, and recognize an intangible asset or receivables under service concession arrangement; and

- during the operation of the project, recognize operation revenue, and amortize the intangible assets or recognize interest income on the receivables under service concession arrangements throughout the specified concession period.

The accounting treatment of service concession arrangements involves judgment and affects the presentation of our results of operations. Several key aspects of this accounting treatment are summarized below.

The following chart sets forth a summary of our accounting treatments for our concession projects.



Notes:

(1) On a cost-plus basis, which determined with reference to the gross profit margins agreed in the PPP contract or, in very exceptional case, the historical gross profit margins based on our experience of EPC projects.

(2) Our contract assets are initially measured as the present value of the guaranteed minimum payment that we are entitled to receive from the PPP project, and are assessed for indicators of impairment at the end of each reporting period. Impairments are made when there is objective evidence that, as a result of one or more events that occurred after their initial recognition.

(3) During the Track Record Period, all of the Group's PPP projects had a guaranteed minimum revenue.

Accounting treatment associated with the construction of our PPP projects

During the construction of our PPP projects, we recognize non-cash construction revenue in accordance with (i) the progress of construction projects (i.e. percentage-of-completion) which is determined based on the actual construction costs incurred up to date relative to the total budgeted costs and (ii) the gross profit margins agreed in the contract. We determined the mark-up with reference to the gross profit margins agreed in the contract or, in very exceptional case, the historical gross profit margins based on our experience of EPC projects. However, we do not receive payment for the construction work from the customer until the operation of project commences, and that the entire non-cash construction revenue recognised would be repaid by our customers throughout the operation period which generally has a time span of 10 to 29 years. Thus there is a mismatch between the recognition of construction revenue and cash flows for the construction work of our PPP projects. Details of the mismatch is set out in the section headed "Financial Information – Net Current Assets/(Liabilities) – Contract Assets and Receivables under Service Concession Arrangements".

For PPP projects with guaranteed minimum revenue, we treat the non-cash construction revenue as contract assets in our consolidated statement of financial position. The amount of contract asset is determined as the present value of such guaranteed minimum payment that we are entitled to receive, and is currently calculated using a discount rate of 6.0%-10.9%, which is determined with reference to the market interest rate and our credit risk exposure to the relevant customer. During the Track Record Period, all our PPP projects had guaranteed minimum revenue as construction revenue, being the total investment amount, which was pre-determined by the agreement of PPP projects. Such guaranteed minimum revenue associated with the construction work of PPP project is separated from the operating service revenue of the PPP projects. As such, when we receive payment from the customers, in form of service fees, during the operation period of the PPP project, we allocate the service fees as follows: (i) a portion to settle the balance of the relevant trade receivables of the PPP projects (i.e. the receivables under service concession arrangements transferred to trade receivables when the right to receive payment becomes unconditional); (ii) amortized interest income on the receivables under service concession arrangements (the amortization on interest income on the receivables under service concession arrangements is determined using effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts to the receivables under service concession arrangements as at construction completion date over the expected life of the PPP projects); and (iii) the remainder to be recognized as operating fee income of PPP projects by considering the performance obligation of the rendered operation service according to the terms of PPP projects. The receivables under service concession arrangements and the contract assets for the PPP projects will be completely settled at the end of the concession period.

Pursuant to the contracts of PPP projects, the total investment amount of the PPP projects is specified in the relevant contracts, details of which are set out in the section head "Business – Construction Investment – Public-Private Partnership Project". Such construction revenue agreed in the contractual agreements for our PPP projects is recognized in line with the progress of construction projects (i.e. percentage-of-completion) or, in very exceptional case, where our management is of the view that the construction revenue determined solely based on terms such as the gross profit margins agreed in the contractual arrangement may not be sufficient, we will consider determining our construction revenue with reference to our historical gross profit margins of EPC projects which is 7.0%-8.0% based on the costs incurred (the "**GPM Method**"). During the Track Record Period, given that the management is of the view that the construction revenue is able to determine solely based on (i) the progress of construction projects (i.e. percentage-of-completion) determined based on the actual construction costs incurred up to date relative to the total budgeted costs and (ii) the contractual arrangement of our existing PPP projects when deciding the construction revenue of our projects, we have not deviated from determining the same based on the construction cost incurred and the contractual arrangements and had not made reference to the GPM Method.

We assess, at the end of each reporting period, whether there is an indication that the contract assets or receivables under service concession arrangements may be credit impaired. Possible indicators of asset impairment include physical damage to a project's facilities and material adverse changes in the market environment. Other objective evidence of impairment include (a) significant financial difficulty of the counterparty; (b) breach of contract, such as default or delinquency in payments; or (c) it becoming probable that the counterparty will enter bankruptcy or financial re-organization. If any such indication exists, or when an annual impairment assessment is required, we conduct an impairment test. During the Track Record Period, there was no indication that any contract assets or receivables under service concession arrangements were credit impaired. For the contract assets and receivables under the service concession arrangements, each of the Group's company closely monitors ageing analysis and calculate impairment, if applicable, to minimize any credit risk.

Our accounting policies regarding the impairment assessment on contract assets and/or receivables under service concession arrangements are set forth in the section headed "Impairment of financial assets, contract assets and receivables under service concession arrangements" under note 3.2 to the Accountants' Report set out in Appendix I to this prospectus.

Accounting treatment associated with the operation of our PPP projects

Revenue from the operation of our PPP projects is recognized in the period in which services are rendered. For PPP projects where we are entitled to a guaranteed minimum fee, payment from customer are apportioned into (i) repayment of the relevant trade receivables of PPP projects (i.e. the receivables under service concession arrangements transferred to trade receivables when the right to receive payment becomes unconditional), (ii) amortised interest income on the receivables under service concession arrangements, and (iii) the remainder being recognized as operating fee income of PPP projects. The operation costs incurred were recognized in cost of sales and services during the operation of our PPP projects.

During the operation of our PPP projects, we received payment in form of service fees from our customers. Receipts of service fees and payments of operation costs are regarded as cash flows of our operating activities in the statements of cash flows during the operation of our PPP projects.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

The current tax is based on taxable profit for the year. Taxable profit differs from profit before tax, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our liability for current tax is measured based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of each year during the Track Record Period.

Deferred tax liabilities are recognized for all taxable temporary differences, except: (i) where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except: (i) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (ii) in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each year during the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each year during the Track Record Period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year during the Track Record Period.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of the reporting period, to recover or settle the carrying amount of our assets and liabilities.

For the purposes of measuring deferred income tax for leasing transactions in which we recognize the right-of-use assets and the related lease liabilities, we first determine whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, we apply the relevant requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities will result in net deductible temporary differences.

Deferred income tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the relevant assets and liabilities relate to the income taxes levied on the same taxable entity by the same taxation authority.

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

SELECTED FINANCIAL INFORMATION

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

	Year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033
Cost of sales	(8,720,525)	(11,530,441)	(11,002,776)	(4,905,675)	(4,462,039)
Gross profit	1,428,095	1,747,928	1,842,046	842,258	785,994
Other income and gains, net	120,419	45,574	20,766	9,488	13,202
Change in fair value of investment properties	6,299	796	2,441	1,312	110
Selling and distribution expenses	(379)	(1,046)	(2,083)	(1,156)	(724)
Administrative and other operating expenses	(846,192)	(1,097,753)	(1,190,918)	(478,891)	(452,119)
Listing expenses	–	(4,416)	(7,804)	(6,872)	(4,530)
Finance costs	(293,755)	(392,610)	(397,208)	(195,731)	(179,180)
Provision for expected credit losses on financial assets, net	(57,827)	(80,562)	(59,979)	(13,953)	(44,139)
Share of (loss)/profit of associates	(2,479)	(5,756)	5,521	6,095	2,310
Profit before tax	354,181	212,155	212,782	162,550	120,924
Income tax expense	(71,948)	(24,121)	(12,346)	(26,393)	(10,692)
Profit for the year/period	**282,233**	**188,034**	**200,436**	**136,157**	**110,232**
Other comprehensive income/(loss)					
Other comprehensive income/(loss) that will not be subsequently reclassified to profit or loss, net of tax:					
Fair value changes of equity investment at FVOCI, net of tax	1,384	(2,337)	13,703	10,110	842
Remeasurement of defined benefit provision plan, net of tax	–	–	(2,322)	–	323
Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax:					
Exchange differences on translation of the financial statements of foreign operations	602	486	358	628	(30)
Other comprehensive income/(loss), net of tax	1,986	(1,851)	11,739	10,738	1,135
Total comprehensive income for the year/period	284,219	186,183	212,175	146,895	111,367
Profit for the year/period attributable to					
Equity holders of the Company	216,356	124,830	150,882	107,693	84,465
Non-controlling interests	65,877	63,204	49,554	28,464	25,767
	282,233	**188,034**	**200,436**	**136,157**	**110,232**

DESCRIPTION OF SELECTED COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Revenue by segment

We derive our revenue primarily from four business segments: (i) specialized industrial construction; (ii) specialized auxiliary construction, (iii) other construction and (iv) non-construction business. The following table sets forth our revenue by business segment for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Segment										
Specialized industrial construction	5,421,639	53.4	6,964,903	52.5	7,591,132	59.1	3,187,051	55.4	2,932,571	55.9
Specialized auxiliary construction	2,639,530	26.0	3,118,317	23.5	2,091,063	16.3	1,111,367	19.3	921,500	17.6
Other construction	1,360,536	13.4	2,087,334	15.7	1,896,597	14.8	908,957	15.8	765,526	14.6
Non-construction business	726,915	7.2	1,107,815	8.3	1,266,030	9.8	540,558	9.5	628,436	11.9
Sales of LNG	*172,593*	*1.7*	*256,245*	*1.9*	*308,204*	*2.4*	*123,162*	*2.1*	*139,894*	*2.7*
Urban heating technical services income	*281,262*	*2.8*	*276,646*	*2.1*	*296,598*	*2.3*	*154,500*	*2.8*	*220,429*	*4.2*
Operating fee income of PPP projects	*70,368*	*0.7*	*77,518*	*0.6*	*90,199*	*0.7*	*47,537*	*0.8*	*52,842*	*1.0*
Interest income of PPP projects	*77,837*	*0.8*	*140,963*	*1.1*	*146,955*	*1.1*	*69,918*	*1.2*	*78,630*	*1.5*
Trading income	*21,189*	*0.2*	*147,993*	*1.1*	*300,654*	*2.3*	*91,706*	*1.7*	*79,559*	*1.5*
Others	*103,666*	*1.0*	*208,450*	*1.5*	*123,420*	*1.0*	*53,735*	*0.9*	*57,082*	*1.0*
Total	10,148,620	100.0	13,278,369	100.0	12,844,822	100.0	5,747,933	100.0	5,248,033	100.0

Specialized industrial construction. This business generates revenue primarily from provision of contracting services covering power engineering, petrochemical engineering, electromechanical installation engineering, metallurgical engineering, urban rail transit engineering, water conservancy and hydropower engineering, mine engineering and others. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the revenue from this segment accounted for 53.4%, 52.5%, 59.1% and 55.9% of our revenue, respectively.

Specialized auxiliary construction. This business generates revenue primarily from provision of contracting services covering standardized workshop, urban heating supporting works, agricultural engineering, urban roads and bridge engineering, water supply engineering, drainage engineering, gas engineering, communication and lighting engineering, environmental protection engineering (waste heat utilization, waste water treatment, waste treatment, waste gas treatment), low-carbon green engineering, etc. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the revenue from this segment accounted for 26.0%, 23.5%, 16.3% and 17.6% of our revenue, respectively.

Other construction. This business generates revenue primarily from provision of construction service covering residential, office and commercial buildings, science, education, culture and health buildings and other types of projects. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the revenue from this segment accounted for 13.4%, 15.7%, 14.8% and 14.6% of our revenue, respectively.

Non-construction business. This business generates revenue primarily from revenue from LNG sales, provision of urban heating technical services, operating and interest income from PPP projects, trading income and others. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the revenue from this segment accounted for 7.2%, 8.3%, 9.8% and 11.9% of our revenue, respectively.

During the Track Record Period, our Group had conducted business transactions with SSCO. In terms of revenue, we derived RMB519.3 million, RMB632.6 million, RMB687.8 million and RMB376.4 million from entities controlled by SSCO (excluding Shanxi CIG and its associates) for the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively.

Revenue by business model

EPC Projects

EPC refers to engineering, procurement and construction, which is a common form of contracting model whereby the contractor is commissioned by the project owner to carry out project work such as surveying, designing, procurement, construction, testing and commissioning of an engineering project, or any combination of the above. Our EPC projects involve specialized industrial construction, specialized auxiliary construction and other construction. The following table sets forth the breakdown of revenue of EPC projects by business segment during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30			
	2020		2021		2022		2022		2023	
	Revenue	% of total revenue/ total revenue of the respective business segments	Revenue	% of total revenue/ total revenue of the respective business segments	Revenue	% of total revenue/ total revenue of the respective business segments	Revenue	% of total revenue/ total revenue of the respective business segments	Revenue	% of total revenue/ total revenue of the respective business segments
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* *(unaudited)*	%	*RMB'000*	%
Specialized industrial construction	5,137,448	94.8	6,801,687	97.7	7,537,942	99.3	3,140,376	98.5	2,915,791	99.4
Specialized auxiliary construction	2,183,935	82.7	2,866,116	91.9	1,996,405	95.5	1,107,432	99.6	799,555	86.8
Other construction	1,234,803	90.8	1,999,371	95.8	1,811,165	95.5	895,795	98.6	712,802	93.1
Total:	8,556,186	84.3	11,667,174	87.9	11,345,512	88.3	5,143,603	89.5	4,428,148	84.4

Our revenue derived from EPC projects amounted to RMB8,556.2 million, RMB11,667.2 million, RMB11,345.5 million and RMB4,428.1 million respectively for the years ended December 31, 2020, 2021, and 2022 and for six months ended June 30, 2023, representing 84.3%, 87.9%, 88.3% and 84.4% of our total revenue, respectively.

Our revenue generated from EPC projects increased by RMB3,111.0 million from RMB8,556.2 million for the year ended December 31, 2020 to RMB11,667.2 million for the year ended December 31, 2021, representing a year-on-year growth of 36.4%, which was mainly attributable to the organic growth of our construction business in general. During the year ended December 31, 2021, our revenue generated from EPC projects from specialized industrial construction, specialized auxiliary construction and other construction has respectively experienced year-on-year growth rate of 32.4%, 31.2% and 61.9%. In particular, we have several projects with substantive construction progress during the year ended December 31, 2021, which led to increase in our revenue generated from EPC projects, including our wind power plant construction project in Yuncheng, Shanxi (i.e. Project SIC-19), our photovoltaic power area and 35kV collector line construction project in Shijiazhuang, Hebei (i.e. Project SIC-20) and our urban heating engineering project in Aksu, Xinjiang (i.e. Project SAC-18), which we had recognized revenue in the sum of RMB489.6 million, RMB320.5 million and RMB196.9 million from respective projects during the year ended December 31, 2021.

For the year ended December 31, 2022, our revenue derived from EPC project slightly decreased by 2.8% in the sum of RMB321.7 million from RMB11,667.2 million for the year ended December 31, 2021 to RMB11,345.5 million for the year ended December 31, 2022. The decrease was mainly attributable to (i) the decrease in revenue generated from EPC projects of specialized auxiliary construction by RMB869.7 million, representing a year-on-year decrease of 30.3%; the reason for such decrease was that comparing with the year ended December 31, 2021, the number of projects recognizing a revenue of over RMB120 million of this segment decreased from eight to one, thereby causing a decline in revenue generated from the EPC projects in the specialized auxiliary construction segment; (ii) the decrease in revenue generated from EPC projects of other construction segments by RMB188.2 million, representing a year-on-year decrease of 9.4%; and (iii) partially offset by the increase in revenue generated from EPC projects of specialized industrial construction by RMB736.3 million, representing a year-on-year growth rate of 10.8%. The increase in our revenue generated from specialized industrial construction segment was primarily attributable to substantive construction progress of construction projects of larger scale, which included the 350MW low calorific value coal power generation EPC project in Hequ (河曲350MW低熱值煤發電EPC總承包項目) (i.e. Project SIC-27) and the 200MW Wind Power Phase II Project in Gujiao County (古交正溝200MW風電二期總承包項目) (i.e. Project SIC-37), which we had respectively recognized revenue of RMB1,166.1 million and RMB908.0 million there from during the year ended December 31, 2022.

For the six months ended June 30, 2023, our revenue derived from EPC project decreased by 13.9% when comparing with the corresponding period in 2022 from RMB5,143.6 million to RMB4,428.1 million. We recorded decrease in revenue derived from EPC projects in all three of our construction business segments, which: (i) our revenue derived from EPC projects of the specialized industrial construction segment decreased by RMB224.6 million from RMB3,140.4 million for the six months ended June 30, 2022 to RMB2,915.8 million for the six months ended June 30, 2023, representing a period-on-period decrease of 7.2%; (ii) our revenue derived from EPC projects of the specialized auxiliary construction segment decreased by RMB307.9 million from RMB1,107.4 million for the six months ended June 30, 2022 to RMB799.6 million for the six months ended June 30, 2023, representing a period-on-period decrease of 27.8%; and (iii) our revenue derived from EPC projects of the other construction segment decreased by RMB183.0 million from RMB895.8 million for the six months ended June 30, 2022 to RMB712.8 million for the six months ended June 30, 2023, representing a period-on-period decrease of 20.4%. The decrease in our revenue derived from EPC projects for the six months ended June 30, 2023 is due to the delay in several sizable projects during the six months ended June 30, 2023, including several wind power projects and photovoltaic power farm construction projects arising from, inter alia, the delay in application procedures for requisite permits to commence construction by project owners and change in design of construction layout.

PPP Projects

Public-Private-Partnership (PPP) project is a specific project cooperation model between a governmental body and a private-sector company, and all parties to the project share the responsibility and financing risk. Our PPP projects involve specialized industrial construction, specialized auxiliary construction and other construction. We recognize revenue in both the construction and operation stages of the concession period, in particular, the revenue recognized in the construction stage is aggregated into the revenue of each business segment, while the revenue and interest income recognized in the operation stage are aggregated into the revenue of non-construction business.

The following table sets forth a breakdown of our revenue generated from PPP projects by revenue type for the years/periods indicated:

	For the year ended December 31,			**For the six months ended June 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue type					
Construction income from PPP projects	865,519	503,380	233,280	63,772	191,449
Including:					
Specialized industrial construction	*284,191*	*163,216*	*53,190*	*46,675*	*16,780*
Specialized auxiliary construction	*455,595*	*252,201*	*94,658*	*3,935*	*121,945*
Other construction	*125,733*	*87,963*	*85,432*	*13,162*	*52,724*

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Non-construction income from PPP projects	148,205	218,481	237,154	117,455	131,472
Including:					
Operating fee income of PPP projects	*70,368*	*77,518*	*90,199*	*47,537*	*52,842*
Interest income of PPP projects	*77,837*	*140,963*	*146,955*	*69,918*	*78,630*
Total	1,013,724	721,861	470,434	181,227	322,921

Our total PPP project revenue decreased by 28.8% from RMB1,013.7 million for the year ended December 31, 2020 to RMB721.9 million for the year ended December 31, 2021. Such decrease was mainly due to the decrease in PPP project construction revenue by 41.8% from RMB865.5 million for the year ended December 31, 2020 to RMB503.4 million for the year ended December 31, 2021 due to the decrease in number of our PPP project in construction stage from six to five from 2020 to 2021, and was partially offset by increases in operating fee income from PPP projects and interest income from PPP projects of RMB7.2 million and RMB63.1 million.

Our total PPP project revenue decreased by 34.8% from RMB721.9 million for the year ended December 31, 2021 to RMB470.4 million for the year ended December 31, 2022. Such decrease was mainly due to a decrease in our revenue derived from construction income from PPP projects by 53.7% from RMB503.4 million for the year ended December 31, 2021 to RMB233.3 million for the year ended December 31, 2022. The year-on-year decrease in construction income and the continuous increase in operating fee income generated from our PPP projects were due to the fact that we had five and three PPP projects that were in construction stage for the years ended December 31, 2021 and 2022, respectively. Out of the five PPP projects that were in construction stage during the year ended December 31, 2021 and 2022, two of the projects (i.e. the PPP Project of (Fourth) Sewage Treatment Plant and Supporting Pipe Network Project of New Town in North of Linfen City the "**North of Linfen City PPP Project**" and the swimming pool portion of the PPP Project of Swimming Pool and Meixing Theatre of Qinshui County in Jincheng City, Shanxi Province (the "**Jincheng PPP Project**")) had entered into operation period in the second half of 2021 and the PPP project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County and the Meixing Theatre portion of the Jincheng PPP Project, both of which the construction were completed in May 2022), which was partly offset by the increase in our operating fee income from PPP projects by RMB12.7 million as construction of three of our PPP projects have completed and entered into operation period.

For the six months ended June 30, 2023, our total PPP project revenue increased by 78.2% when comparing with the corresponding period in 2022 from RMB181.2 million to RMB322.9 million. Such increase was primarily attributable to (i) the increase in our construction income from PPP projects from RMB63.8 million for the six months ended June 30, 2022 to RMB191.4 million for the six months ended June 30, 2023, representing a period-on-period increase of 200.2%, in particular due to increase in our construction income from specialized auxiliary construction income from PPP projects; and (ii) the increase in both our operating fee income from RMB47.5 million for the six months ended June 30, 2022 to RMB52.8 million for the six months ended June 30, 2023, and our interest income of PPP projects from RMB69.9 million for the six months ended June 30, 2022 to RMB78.6 million for the six months ended June 30, 2023.

When the PPP projects enter into operation period, our construction revenue derived from such PPP projects will decrease due to completion of construction, meanwhile we will generate operating fee income through the operation of the relevant public facilities. Our operating fee income of PPP projects is mainly affected by, among others, the number of PPP projects completed and entered the operation period, and the duration of the operation of the PPP project during the relevant year. As of December 31, 2020, 2021 and 2022 and June 30, 2023, there were six, seven, nine and ten PPP projects under operation stage. The increase in operating fee income of PPP projects for the year ended December 31, 2021 when compared with that of 2020 was attributable to the increase in number of PPP projects under the operation stage, including the PPP project of Two Roads and Three Streets Widening and Reconstruction Project in Huguan County and the PPP Project of Underground Comprehensive Pipe Gallery Project in Xiyang Economic and Technological Development Zone, Xiyang County, Jinzhong City, both of which had entered the operation period since December 2020. As for the year ended December 31, 2022, another two of our PPP projects have entered into operation period (i.e. the PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County and the theatre portion of the Jincheng PPP project), thereby further contributing to the increase in our operating fee income generated from PPP projects. As for the six months ended June 30, 2023, the aforementioned two PPP projects which entered into operation period in 2022 only commenced formal operation after May 2022, accordingly, our operating fee income of PPP projects for the first half of 2023 has increased by 11.2% when comparing with that in the corresponding period in 2022.

Interest income from PPP projects is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts to the receivables under concession arrangements as at construction completion date over the expected life of the PPP project during the operation period. As a result, interest income likewise rises as our PPP project cycle enters the operation period.

Revenue by geographical locations

The following table sets forth our revenue by geographical locations for the years/periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Mainland China	10,143,304	13,210,717	12,752,249	5,740,949	5,099,786
Bangladesh	–	–	39,308	6,984	30,663
Australia	6	3,437	–	–	–
Indonesia	5,310	64,215	53,265	–	117,584
Total	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033

The following table sets forth a breakdown of our revenue attributable to Mainland China by province and autonomous regions for the years/periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Shanxi province	6,999,679	69.0	8,690,664	65.8	8,708,172	68.3	3,620,572	63.1	2,841,696	55.7
Guangdong province	797,283	7.9	655,920	5.0	483,496	3.8	213,533	3.7	458,334	9.0
Hebei province	310,146	3.1	895,888	6.8	779,454	6.1	432,432	7.5	179,008	3.5
Inner Mongolia Autonomous region	295,113	2.9	493,244	3.7	439,698	3.4	284,281	5.0	289,068	5.7
Ningxia Hui Autonomous region	168,134	1.7	102,154	0.8	311,561	2.4	140,977	2.5	326,903	6.4
Others	1,572,949	15.4	2,372,847	17.9	2,029,868	16.0	1,049,154	18.2	1,004,777	19.7
	10,143,304	100.0	13,210,717	100.0	12,752,249	100.0	5,740,949	100.0	5,099,786	100.0

During the Track Record Period, Mainland China was our major market, accounting for over 97.2% of our total revenue. Our revenue from Mainland China increased by 30.2% from RMB10,143.3 million for the year ended December 31, 2020 to RMB13,210.7 million for the year ended December 31, 2021. For the year ended December 31, 2022, our revenue from Mainland China decreased by 3.5% from RMB13,210.7 million to RMB12,752.2 million. Our revenue from Mainland China decreased by 11.2% from RMB5,740.9 million for the six months ended June 30, 2022 to RMB5,099.8 million for the six months ended June 30, 2023, which is in line with the fluctuation trend of our overall revenue.

During the Track Record Period, our overseas revenue was derived from projects conducted in Bangladesh, Indonesia and Australia. For the year ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our overseas revenue amounted to RMB5.3 million, RMB67.6 million, RMB92.6 million and RMB148.2 million, respectively. Our revenue derived from overseas projects significantly increased by RMB62.3 million for the year ended December 31, 2021, representing a year-on-year growth of 1,175.5%, the growth was primarily attributable to the fact that our coke plant construction project in Indonesia (i.e. Overseas project-1) has entered into substantive construction stage and has recognized a revenue of RMB63.8 million during the year ended December 31, 2021 as compared to that of RMB5.3 million for the year ended December 31, 2020. During the year ended December 31, 2022, our revenue derived from overseas projects increased by RMB25.0 million from RMB67.6 million to RMB92.6 million, which was primarily attributable to (i) our construction project of a wind power plant in Bangladesh (i.e. Overseas project-4) commenced construction during the year ended December 31, 2022 and we have recognized a revenue of RMB39.3 million for such project during the year; (ii) the increase in revenue recognised in our gas purification facilities construction and installation project of a coke plant in Indonesia (i.e. Oversea project-3) by RMB52.9 million from RMB0.4 million for the year ended December 31, 2021 to RMB53.3 million for the year ended December 31, 2022; and such increase was partially offset by the decrease in our revenue derived from our coke plant construction project in Indonesia (i.e. Overseas project-1) due to a delay of the construction progress. During the six months ended June 30, 2023, our revenue derived from overseas projects amounted to RMB148.2 million, representing a period-on-period increase of 2,022.6% when comparing with the corresponding period in 2022. This was primarily attributable to fact that (i) Overseas project-1 has resumed construction; and (ii) substantive construction progress in our wind power plant construction project in Bangladesh (i.e. Overseas project-4) and the installation project of a coke plant in Indonesia (i.e. Overseas project-3) during the period.

The table below sets forth the breakdown of revenue by type of customer:

Type of customers	**For the year ended December 31**						**For the six months ended June 30**			
	2020		**2021**		**2022**		**2022**		**2023**	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000 (unaudited)*	*% of total revenue*	*RMB'000*	*% of total revenue*
State-owned and state-holding enterprises/ government authorities (excluding listed companies)	3,777,637	37.2%	5,182,552	39.0%	7,458,861	58.1%	2,567,932	44.7%	2,487,541	47.4%
Private enterprises (excluding listed companies)	5,850,046	57.7%	7,587,206	57.2%	4,944,332	38.5%	3,001,616	52.2%	2,596,205	49.5%
Listed companies	520,937	5.1%	508,611	3.8%	441,629	3.4%	178,385	3.1%	164,287	3.1%
	10,148,620	100%	13,278,369	100%	12,844,822	100%	5,747,933	100%	5,248,033	100%

The following table sets forth the breakdown of segment revenue in terms of Related Parties and Independent Third Parties:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000 (unaudited)*	*% of total revenue*	*RMB'000*	*% of total revenue*
Connected parties controlled by Shanxi CIG										
Specialized industrial construction	3,576	0.1%	117,296	0.9%	223,026	1.7%	63,089	1.1%	158,735	3.0%
Specialized auxiliary construction	200,768	2.0%	284,813	2.1%	211,622	1.6%	65,731	1.1%	67,480	1.3%
Other construction	74,827	0.7%	67,662	0.5%	239,889	1.9%	44,257	0.8%	105,058	2.0%
Non-construction business income	21,842	0.2%	188,549	1.4%	174,561	1.4%	76,885	1.3%	57,466	1.1%
Sub-total	301,013	3.0%	658,320	4.9%	849,098	6.6%	249,962	4.3%	388,739	7.4%
Entities controlled by SSCO (Excluding Shanxi CIG and its associates)										
Specialized industrial construction	55,632	0.5%	126,152	1.0%	353,577	2.8%	66,636	1.2%	200,834	3.8%
Specialized auxiliary construction	120,683	1.2%	209,851	1.6%	9,303	0.1%	17,626	0.3%	6,047	0.1%
Other construction	61,328	0.6%	19,439	0.1%	50,237	0.4%	46,204	0.8%	16,172	0.3%
Non-construction business income	281,643	2.8%	277,192	2.1%	274,648	2.1%	155,702	2.7%	153,351	2.9%
Sub-total	519,286	5.1%	632,634	4.8%	687,765	5.4%	286,168	5.0%	376,404	7.1%
Other independent third parties										
Specialized industrial construction	5,362,431	52.9%	6,721,455	50.6%	7,014,529	54.6%	3,057,326	53.2%	2,573,002	49.0%
Specialized auxiliary construction	2,318,079	22.8%	2,623,653	19.8%	1,870,138	14.6%	1,028,010	17.9%	847,972	16.2%
Other construction	1,224,381	12.1%	2,000,233	15.1%	1,582,950	12.3%	818,496	14.2%	643,770	12.3%
Non-construction business income	423,430	4.1%	642,074	4.8%	816,243	6.3%	307,971	5.4%	417,620	8.0%
Sub-total	9,328,321	91.9%	11,987,415	90.3%	11,283,860	87.8%	5,211,803	90.7%	4,482,364	85.5%
The Group's investment entity(Note)										
Other construction	–	–	–	–	23,521	0.2%	–	–	–	–
Non-construction business income	–	–	–	–	578	0.0%	–	–	526	0.0%
Sub-total	–	–	–	–	24,099	0.2%	–	–	526	0.0%
Total	10,148,620	100%	13,278,369	100%	12,844,822	100%	5,747,933	100%	5,248,033	100%

Note: Investment entity refers to Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd. (山西轉型綜合改革示範區山安瀟河建築產業有限公司) ("**Shan'an Xiaohe**"), which the Company holds 20% equity interest in its issued share capital but is neither a connected party controlled by Shanxi CIG nor an entity controlled by SSCO. The management of the Company confirmed that other than Shan'an Xiaohe, the Company does not have any equity interest in other entities under this category.

The following table sets forth the breakdown of our segment revenue for the years/periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Power engineering (including New Energy Engineering)	3,859,726	4,617,320	4,952,325	1,987,622	1,674,907
Petrochemical Engineering	544,873	1,144,116	1,545,420	746,994	1,029,398
Other specialized industrial construction	1,017,040	1,203,467	1,093,387	452,435	228,266
Sub-total for specialized industrial construction:	5,421,639	6,964,903	7,591,132	3,187,051	2,932,571
Urban heating engineering	580,549	611,563	846,802	350,045	177,155
Standardized workshop engineering	857,348	1,136,495	644,351	428,027	477,742
Other specialized auxiliary construction	1,201,633	1,370,259	599,910	333,295	266,603
Sub-total for specialized auxiliary construction	2,639,530	3,118,317	2,091,063	1,111,367	921,500
Construction of public buildings	324,756	531,135	404,915	98,282	205,052
Residential buildings construction	324,756	969,321	510,896	293,982	229,718
Other construction works	711,024	586,878	980,786	516,693	330,756
Sub-total for other construction	1,360,536	2,087,334	1,896,597	908,957	765,526
Revenue from sales of LNG	172,593	256,245	308,204	123,162	139,894
Revenue from contract energy management (Revenue from urban central heating)	281,262	276,646	296,598	154,500	220,429
Other non-construction	273,060	574,924	661,228	262,896	268,113
Sub-total for non-construction:	726,915	1,107,815	1,266,030	540,558	628,436
Total:	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033

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

	For the year ended December 31						For the six months ended June 30			
	2020		2021		2022		2022		2023	
Sectors that our customers are engaged in	*RMB'000*	*% to our total revenue*	*RMB'000*	*% to our total revenue*	*RMB'000*	*% to our total revenue*	*RMB'000 (unaudited)*	*% to our total revenue*	*RMB'000*	*% to our total revenue*
Government authorities (including PPP projects)	1,876,834	18.5%	2,108,308	15.9%	1,230,446	9.6%	541,204	9.4%	702,932	13.4%
Energy sector	*100,596*	*1.0%*	*102,857*	*0.8%*	*138,671*	*1.1%*	*62,141*	*1.1%*	*134,193*	*2.6%*
Infrastructure sector	*1,623,064*	*16.0%*	*1,862,866*	*14.0%*	*950,065*	*7.4%*	*418,592*	*7.3%*	*502,394*	*9.6%*
Others	*153,174*	*1.5%*	*142,585*	*1.1%*	*141,710*	*1.1%*	*60,471*	*1.0%*	*66,345*	*1.2%*
Non-government authorities										
Energy sector	5,144,123	50.7%	6,230,534	46.9%	6,782,713	52.8%	3,011,155	52.4%	2,413,896	46.0%
Infrastructure sector	2,146,307	21.1%	3,644,401	27.5%	2,509,964	19.5%	1,222,392	21.3%	788,123	15.0%
Others(Note)	981,356	9.7%	1,295,126	9.7%	2,321,699	18.1%	973,182	16.9%	1,343,082	25.6%
Total	10,148,620	100%	13,278,369	100%	12,844,822	100%	5,747,933	100%	5,248,033	100%

Note: Others include customers which are engaged in medical and chemical engineering sectors.

Our revenue from government authorities (including PPP projects) decreased by 41.6% from RMB2,108.3 million for the year ended December 31, 2021 to RMB1,230.4 million for the year ended December 31, 2022 was primarily due to the decrease in construction revenue derived from our PPP project which as aforementioned, out of the five PPP projects that were in construction stage during the year ended December 31, 2021, two of the projects had entered into operation in the second half of 2021 and therefore no longer contributing construction revenue for the year ended December 31, 2022. For the six months ended June 30, 2023, our revenue derived from government authorities increased by 29.9% when comparing with the corresponding period in 2022 from RMB541.2 million to RMB702.9 million. This is primarily attributable to the increase in revenue derived from our PPP projects.

Cost of sales, gross profit and gross profit margin

Our cost of sales primarily includes raw material costs, labor force, machinery utilization costs and subcontracting costs, etc. The following table sets forth a breakdown of our cost of sales by nature for the years/periods indicated:

	Year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Raw material	3,627,002	41.6	5,897,578	51.1	5,769,678	52.4	2,554,002	52.0	2,023,155	45.3
Labor force	1,859,150	21.3	2,995,053	26.0	2,766,714	25.1	1,329,103	27.1	1,328,703	29.8
Machinery utilization costs	567,755	6.5	841,263	7.3	600,945	5.5	236,103	4.8	201,025	4.5
Subcontracting costs	1,933,552	22.2	826,386	7.2	1,313,443	11.9	360,801	7.4	540,815	12.1
Others	733,066	8.4	970,161	8.4	551,996	5.1	425,666	8.7	368,341	8.3
Total	8,720,525	100.0	11,530,441	100.0	11,002,776	100.0	4,905,675	100.0	4,462,039	100.0

Our cost of sales increased by 32.2% from RMB8,720.5 million for the year ended December 31, 2020 to RMB11,530.4 million for the year ended December 31, 2021. Our cost of sales slightly decreased by 4.6% to RMB11,002.8 million for the year ended December 31, 2022 which was primarily attributable to the decrease in our raw material cost, labour force cost, machinery utilization costs and other cost by RMB127.9 million, RMB228.3 million, RMB240.3 million and RMB418.2 million respectively, and partially offset by the increase in subcontracting cost by RMB487.1 million. For the six months ended June 30, 2023, our cost of sales decreased by RMB443.7 million or 9.0% when comparing with the corresponding period in 2022 from RMB4,905.7 million to RMB4,462.0 million. This is primarily attributable to the decrease in our raw material costs, machinery utilization costs and other costs, which the fluctuation is in line with the decrease in our revenue.

Subcontracting Costs

Our subcontracting costs decreased RMB1,107.2 million during the year ended December 31, 2021 when compared to the year ended December 31, 2020. The decrease was primarily attributable to that substantive construction stage of several major construction projects which requires intensive subcontracting costs was completed in 2020, resulting in a decrease in the subcontracting costs in 2021. The representative projects include the PPP Project of Underground Comprehensive Pipe Gallery Project in Xiyang Economic and Technological Development Zone, Xiyang County, Jingzhong City, a wind power project of the Company in Guangdong Province (i.e. Project SIC-12) and a wind power project of the company in Dai County (i.e. Project SIC-1). Our subcontracting costs for the year ended December 31, 2022 increased by RMB487.1 million when compared to that for the year ended December 31, 2021 as a result of the commencement of several construction projects that requires substantive subcontracting costs input, representative projects of which include the 350MW low calorific value coal power generation EPC project in Hequ (i.e. Project SIC-27), the 200MW Wind Power Phase II Project in Gujiao County (i.e. Project SIC-37), and a construction project of a high priority polysilicon production plant in Shizuishan, Ningxia (i.e. Project SIC-36). For the six months ended June 30, 2023, our subcontracting cost increased by 49.9% when comparing with the corresponding period in 2022 from RMB360.8 million to RMB540.8 million. This is primarily attributable to the increase in subcontracting cost in several major projects, including the Taiyuan Talent Apartment Project (i.e. Project OC-19), which recognized a subcontracting cost of approximately RMB51.6 million during the six months ended June 30, 2023, as well as a commercial building construction project in Taiyuan, Shanxi (i.e. Project OC-22), which incurred a subcontracting cost of approximately RMB44.0 million. In addition, as part of our cost control measure, we subcontracted part of the construction in our installation project of a coke plant in Indonesia (i.e. Overseas project-3) to reduce costs of sending our employees overseas, thereby further increased our subcontracting cost during the six months ended June 30, 2023.

While most of our contracts contain price adjustment clauses, we may not be able to pass the full amount of any cost increase to our customers. For more details on the fluctuation of our cost of sales during the Track Record Period, please refer to the paragraph headed "Comparison of Results of Operations" in this section.

The following tables demonstrate the sensitivity to a reasonably possible change in the costs of raw material and labor force, with all other variables held constant, of our profit before tax during the Track Record Period:

	Year ended December 31,			**Six months ended June 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Costs of raw material increase/decrease by:					
+5%	(181,350)	(294,879)	(288,484)	(127,700)	(101,158)
+1%	(36,270)	(58,976)	(57,697)	(25,540)	(20,232)
-1%	36,270	58,976	57,697	25,540	20,232
-5%	181,350	294,879	288,484	127,700	101,158
Costs of labor force increase/decrease by:					
+5%	(92,958)	(149,753)	(138,336)	(66,455)	(66,435)
+1%	(18,592)	(29,951)	(27,667)	(13,291)	(13,287)
-1%	18,592	29,951	27,667	13,291	13,287
-5%	92,958	149,753	138,336	66,455	66,435

The following table sets forth a breakdown of our cost of sales by business segment for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Segment										
Specialized industrial construction	4,848,459	55.6	6,282,444	54.5	6,680,865	60.7	2,807,481	57.2	2,602,109	58.3
Specialized auxiliary construction	2,267,471	26.0	2,725,467	23.6	1,817,985	16.5	937,604	19.1	766,834	17.2
Other construction	1,174,262	13.5	1,955,876	17.0	1,687,338	15.4	823,486	16.8	663,336	14.9
Non-construction business	430,333	4.9	566,654	4.9	816,588	7.4	337,104	6.9	429,760	9.6
Total	**8,720,525**	**100.0**	**11,530,441**	**100.0**	**11,002,776**	**100.0**	**4,905,675**	**100.0**	**4,462,039**	**100.0**

Cost of PPP projects

The following table sets forth a breakdown of cost by PPP projects:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Construction of PPP projects	596,687	407,585	158,316	20,963	158,930
Including:					
Specialized industrial construction	*215,738*	*114,927*	*37,546*	*27,775*	*12,782*
Specialized auxiliary construction	*282,386*	*210,277*	*47,877*	*(19,010)*	*104,232*
Other construction	*98,563*	*82,381*	*72,893*	*12,198*	*41,916*
Operating costs of PPP projects	57,700	56,530	63,134	30,846	36,371
Total	654,387	464,115	221,450	51,809	195,301

Costs of our PPP projects decreased by 29.1% from RMB654.4 million for the year ended December 31, 2020 to RMB464.1 million for the year ended December 31, 2021, and further decreased by 52.3% to RMB221.5 million for the year ended December 31, 2022. The decrease in our costs of PPP projects was mainly attributable to the decrease in cost of construction of PPP projects by 31.7% from RMB596.7 million for the year ended December 31, 2020 to RMB407.6 million for the year ended December 31, 2021, and further decreased by 61.2% to RMB158.3 million for the year ended December 31, 2022. For the six months ended June 30, 2023, cost of our PPP projects increased by 277.0% when comparing with the corresponding period in 2022 from RMB51.8 million to RMB195.3 million. This is primarily attributable to the commencement of construction of the PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone in the first half of 2023 and substantive progress in construction of the PPP project of Quality Improvement Project (New Party School, Qinshui East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province.

The decrease in construction cost of our PPP projects during the three years ended December 31, 2022 were due to the fact that we had six, five (including the PPP Project of (Fourth) Sewage Treatment Plant and Supporting Pipe network Project of New Town in North of Linfen City, the construction of which was completed in June 2021) and three PPP projects that were under the construction stage during each of the year ended December 31, 2020, 2021 and 2022, respectively. Accordingly, our construction costs of our PPP projects decreased in accordance with the decrease in number of PPP projects under construction stage during respective years.

For the six months ended June 30, 2023, our construction cost for PPP projects increased by 658.1% from RMB21.0 million for the six months ended June 30, 2022 to RMB158.9 million for the six months ended June 30, 2023. Such increase was primarily attributable to the commencement of construction of the PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technology Development Zone and substantive progress in the PPP project of Quality Improvement Project (New Party School, Qinshui East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province.

Operating costs of our PPP projects amounted to RMB57.7 million, RMB56.5 million and RMB63.1 million for the years ended December 31, 2020, 2021 and 2022, respectively. Our operating costs of PPP projects is mainly affected by, among others, the number of PPP projects completed construction and entered into the operation period and the duration of the operation of the PPP project in that year upon completion. As of December 31, 2020, 2021 and 2022, there were six, seven and nine PPP projects under the operation period. Despite the increase in number of PPP projects under operation period, our operating costs of PPP projects for the year ended December 31, 2021 has slightly decreased by RMB1.2 million, representing 2.0% decreased. The decrease in operating costs of PPP for the year ended December 31, 2021 was mainly attributable to the decrease in cost of heating supply and electricity as a result of the implementation of cost saving plan by the Group in 2021 from the PPP Project of Central Heating Pipe Network in Cogeneration Urban Distract, Liulin County (the "**Liulin PPP**

Project"). Under the PPP Project of Central Heating Pipe Network in Cogeneration Urban Distract, Liulin County, the Company rented heating supply equipment from the relevant government authority of the Liulin County and the Company provided construction and operating services and charged its service fees from the same government authority. Pursuant to the contract of Liulin PPP Project, the operating fee income we were entitled to was determined mainly based on the actual scale of heating supplied during the year. For the year ended December 31, 2020, being the first full financial year of the operation of Liulin PPP Project, as we did not have an operating cost of the project as a reference, the operating cost of such project was relatively high. In 2021, after taking into account the actual operating cost of the Liulin PPP Project in 2020, we reviewed the overall operating cost structure, and negotiated the contract terms with our supplier. The contract was then modified from a purchase contract charging a purchase price with reference to the actual quantity of products supplied to a procurement contract at a fixed cost. Accordingly, the costs saved under the Liulin PPP Project amounted to approximately RMB2.2 million in the operating costs of PPP projects for year ended December 31, 2021 when compared to that of 2020.

For the year ended December 31, 2022, our operating costs of PPP projects increased by RMB6.6 million from RMB56.5 million to RMB63.1 million, representing a year-on-year growth rate of 11.7%. The increase in our operating cost was primarily attributable to the increase in number of PPP projects under operation period from seven for the year ended December 31, 2021 to nine for the year ended December 31, 2022. Two new projects entered the operation period in May 2022 (i.e. the PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County and the PPP Project of Swimming Pool and Meixing Theatre of Qinshui County in Jincheng City, Shanxi Province).

Our operation cost for PPP projects also increased by 17.9% from RMB30.8 million for the six months ended June 30, 2022 to RMB36.4 million for the six months ended June 30, 2023 due to the increase in number of PPP projects under operation stage when comparing with that in the corresponding period in 2022 as the PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County only entered into the operation period after its construction completion in May 2022.

Gross profit and gross profit margin

Gross profit and gross profit margin by business types

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

	For the year ended December 31,									For the six months ended June 30,					
	2020			2021			2022			2022			2023		
	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin	Gross profit	% of gross profit	Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000* (unaudited)	*%*	*%*	*RMB'000*	*%*	*%*
Segment															
Specialized industrial construction	573,180	40.1	10.6	682,459	39.0	9.8	910,267	49.4	12.0	379,570	45.1	11.9	330,462	42.0	11.3
Specialized auxiliary construction	372,059	26.1	14.1	392,850	22.5	12.6	273,078	14.8	13.1	173,763	20.6	15.6	154,666	19.7	16.8
Other construction	186,274	13.0	13.7	131,458	7.5	6.3	209,259	11.4	11.0	85,471	10.1	9.4	102,190	13.0	13.3
Non-construction business	296,582	20.8	40.8	541,161	31.0	48.8	449,442	24.4	35.5	203,454	24.2	37.6	198,676	25.3	31.6
Total	1,428,095	100.0	14.1	1,747,928	100.0	13.2	1,842,046	100.0	14.3	842,258	100.0	14.7	785,994	100.0	15.0

Our gross profit for the years ended December 31, 2020, 2021 and 2022 were respectively RMB1,428.1 million, RMB1,747.9 million and RMB1,842.0 million and our gross profit margin for the corresponding years were respectively 14.1%, 13.2% and 14.3%. Our gross profit has demonstrated a year-on-year increase of 22.4% and 5.4% respectively; whereas our gross profit margin has experienced a decrease by 0.9% from 2020 to 2021 and increased by 1.1% during the year ended December 31, 2022. For the six months ended June 30, 2023, our gross profit was RMB786.0 million, representing a decrease of RMB56.3 million in gross profit comparing with that for the six months ended June 30, 2022. Our gross profit margin for the six months ended June 30, 2023 was 15.0%, representing an increase of 0.3% in gross profit margin comparing with the corresponding period in 2022.

Despite the increase in our gross profit by RMB319.8 million from RMB1,428.1 million for the year ended December 31, 2020 to RMB1,747.9 million for the year ended December 31, 2021, our gross profit margin has slightly decreased by 0.9%. Such decrease in the gross profit margin was primarily attributable to the decrease in the gross profit margin of our other construction segment from 13.7% for the year ended December 31, 2020 to 6.3% for the year ended December 31, 2021, and was partially offset by the increase in the gross profit margin of our non-construction business segment from 40.8% for the year ended December 31, 2020 to 48.8% for the year ended December 31, 2021.

For the year ended December 31, 2022, our gross profit has increased by 5.4% from RMB1,747.9 million for the year ended December 31, 2021 to RMB1,842.0 million for the year ended December 31, 2022. On the other hand, our gross profit margin has increased by 1.1% from 13.2% to 14.3%. Such increase was primarily attributable to the increase in gross profit margin of our specialized industrial construction segment from 9.8% for the year ended December 31, 2021 to 12.0% for the year ended December 31, 2022.

For the six months ended June 30, 2023, our gross profit amounted to RMB786.0 million, representing a period-on-period decrease of 6.7% when comparing with the corresponding period in 2022, whereas our gross profit margin for the six months ended June 30, 2023 was 15.0%, representing an increase of 0.3% when comparing with the corresponding period in 2022. The decrease in our gross profit was primarily attributable to the decrease in gross profit in our specialized industrial construction segment, specialized auxiliary construction segment and non-construction segment, respectively by RMB49.1 million, RMB19.1 million and RMB4.8 million as compared to the six months ended June 30, 2022; and partially offset by the increase in gross profit in our other construction segment by RMB16.7 million. On the other hand, the increase in our gross profit margin was primarily attributable to the increase in our gross profit margin in our other construction business from 9.4% for the six months ended June 30, 2022 to 13.3% for the six months ended June 30, 2023.

Gross profit and gross profit margin of PPP projects

The table below sets forth a breakdown of our gross profit and gross profit margin by PPP projects for the years/periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Segment										
Construction of PPP projects	268,832	31.1	95,795	19.0	74,964	32.1	42,809	67.1	32,519	17.0
Including:										
Specialized industrial construction	*68,453*	*24.1*	*48,289*	*29.6*	*15,644*	*29.3*	*18,900*	*40.5*	*3,998*	*23.8*
Specialized auxiliary construction	*173,209*	*38.0*	*41,924*	*16.6*	*46,781*	*49.4*	*22,945*	*N/A(Note)*	*17,713*	*14.5*
Other construction	*27,170*	*21.6*	*5,582*	*6.3*	*12,539*	*14.6*	*964*	*7.3*	*10,808*	*20.5*
Non-construction of PPP projects	90,505	61.1	161,951	74.1	174,020	73.4	86,609	73.7	95,101	72.3
Including:										
Operation of PPP projects	*12,668*	*18.0*	*20,988*	*27.1*	*27,065*	*30.0*	*16,691*	*35.1*	*16,471*	*31.2*
Interest income of PPP projects	*77,837*	*100.0*	*140,963*	*100.0*	*146,955*	*100.0*	*69,918*	*100.0*	*78,630*	*100.0*
Total	**359,337**	**35.4**	**257,746**	**35.7**	**248,984**	**52.9**	**129,418**	**71.4**	**127,620**	**39.5**

Note: As a result of completion audit of construction projects, the gross profit recorded during the six months ended June 30, 2022 was higher than the revenue recognized with a deduction of cost recognized. Accordingly, the gross profit margin was not applicable.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our gross profit of PPP projects was RMB359.3 million, RMB257.7 million, RMB249.0 million and RMB127.6 million, respectively.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our gross profit margins of PPP projects were 35.4%, 35.7%, 52.9% and 39.5%, respectively.

Gross profit and gross profit margin of EPC projects

The table below sets forth a breakdown of our gross profit and gross profit margin of our EPC projects by our role as main contractor or subcontractor for the years/periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Main Contractor	838,614	10.0%	1,061,981	9.4%	1,224,323	11.7%	549,229	11.7%	522,446	13.2%
Subcontractor	24,067	14.7%	48,991	12.8%	93,317	10.3%	46,766	10.8%	32,353	7.1%

For the three years ended December 31, 2022 and the six months ended June 30, 2022 and 2023, our gross profit of main contractor for EPC project was RMB838.6 million, RMB1,062.0 million, RMB1,224.3 million, RMB549.2 million and RMB522.4 million, respectively. Our gross profit margin for EPC projects under which we served as a main contractor fluctuated between 9.4% and 13.2% during the Track Record Period. The fluctuation of our gross profit margin for projects we acted as main contractor was mainly due to the fact that our gross profit margin for projects we acted as main contractor slightly decreased compared with the year ended December 31, 2020 due to the increase in the raw material price and the increase in labor costs for the year ended December 31, 2021. Furthermore, for the six months ended June 30, 2023, we recorded a gross profit margin of 13.2%, which was higher than that for each of the three years ended December 31, 2022 and the corresponding period in 2022. Such increase was mainly due to the fact that some of the major projects in our specialized auxiliary construction segment recorded higher gross profit margin, including the construction project of a 50,000 ton high-purity polycrystalline silicon production plant (i.e. Project SAC-30), which was our largest project during the six months ended June 30, 2023 in terms of revenue with revenue contribution of 16.9% to our revenue for the specialized auxiliary construction segment. Such project had a gross profit margin of 17.4%, which was 1.8 percentage points higher than the overall gross profit margin of our specialized auxiliary construction segment for the six months ended June 30, 2022, thereby contributing to the increase in our overall gross profit margin for the six months ended June 30, 2023.

For the three years ended December 31, 2022 and the six months ended June 30, 2022 and 2023, our gross profit of subcontractor for EPC project was RMB24.1 million, RMB49.0 million, RMB93.3 million, RMB46.8 million and RMB32.4 million respectively. Our gross profit margin for EPC projects under which we served as a subcontractor fluctuated between 7.1% and 14.7% during the Track Record Period. The fluctuation of our gross profit margin for projects we acted as subcontractors was mainly attributable to the fact that we undertook several specialized industrial construction projects which required higher technical input, thus we can charge our customers at higher price with higher profit margin, thereby leading to a higher overall gross profit margin for the year ended December 31,2020. For the six months ended June 30, 2023, we recorded a gross profit margin of 7.1%, which was lower than that for each of the three years ended December 31, 2022 and the corresponding period in 2022. Such decrease was mainly due to the fact that during the six months ended June 30, 2023, several of our mechanical and electrical installation construction projects on the residential building generated lower gross profit margin due to those construction projects required low technical skills only, thereby leading to a decrease in our overall gross profit margin for the six months ended June 30, 2023.

For the year ended December 31, 2021 comparing with the year ended December 31, 2020

Our gross profit of PPP projects for the year ended December 31, 2021 decreased by RMB101.6 million from RMB359.3 million to RMB257.7 million when comparing with that for the year ended December 31, 2020, which was primarily due to the decrease in construction revenue derived from PPP projects of the specialized auxiliary construction segment by RMB203.4 million and was partially offset by the increase in interest income by RMB63.1 million, and increase in gross profit generated from operation of PPP projects by RMB8.3 million as there were three projects completed in 2020 and entered into the operation stage (i.e. the PPP Project of "Five Roads and One River" Project in the Gaoping City (which was completed in May 2020), the PPP Project of Two Roads and Three Streets Widening and Reconstruction Project in Huguan County (the "**Huguan PPP Project**") and the PPP Project of Underground Comprehensive Pipe Gallery Project in Xiyang Economic and Technological Development Zone, Xiyang County, Jinzhong City ("the **Xiyang PPP Project**"), both of which were completed in December 2020).

Our gross profit margin for PPP projects was 35.4% for the year ended December 31, 2020 and remained stable with a slightly increase by 0.3 percentage point to 35.7% for the year ended December 31, 2021, which is resulted from the combined effect of (i) the increase in proportion of interest income of PPP projects to the gross profit generated from PPP projects from 21.7% for the year ended December 31, 2020 to 54.7% for the year ended December 31, 2021. As the gross profit margin for interest income from PPP projects was 100%, the increase in proportion of gross profit derived from interest income will drive up the overall gross profit margin; and (ii) the decrease in the gross profit margin of our construction of PPP projects from

31.1% for 2020 to 19.0% for 2021. The decrease in our gross profit margin for construction of PPP projects was primarily attributable to the decrease in gross profit margin of construction of our PPP projects of the specialized auxiliary construction segment from 38.0% for 2020 to 16.6% for 2021; and the decrease in gross profit margin of our PPP projects of the other construction segment from 21.6% for 2020 to 6.3% for 2021. The fluctuation in the gross profit margin in the specialized auxiliary construction segment was mainly caused by the fluctuation in the gross profit margin of the Huguan PPP Project, which decreased from 65.7% for the year ended December 31, 2020 and further decreased to 28.2% for the year ended December 31, 2021. The high profit margin derived from such project for 2020 was because we were requested to conduct additional construction on the Huguan PPP project, which some ground works for the additional construction work had been completed under the original scope. Accordingly, we managed to realize cost saving measures while conducting such added construction that in turn enhanced our profit margin for 2020. While without the aforementioned effect, our profit margin for the 2021 returned to the normal level, thereby causing a decrease in our gross profit margin for the segment.

For the year ended December 31, 2022 comparing with the year ended December 31, 2021

Our gross profit of PPP projects for the year ended December 31, 2022 has slightly decreased by RMB8.8 million when comparing with that of 2021, which was primarily due to the decrease in gross profit generated from the construction of PPP project, in particular that from the specialized industrial construction segment, which decreased by RMB32.7 million from RMB48.3 million for the year ended December 31, 2021 to RMB15.6 million for the year ended December 31, 2022 as a result of the completion of construction of several PPP projects, including the PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County (the "**Xinjiang Fenhe PPP Project**") and the theatre portion of the PPP Project of Swimming Pool and Meixing Theatre of Qinshui County in Jincheng City Shanxi Province (the "**Jincheng PPP Project**").

Our gross profit margin has increased from 35.7% for 2021 to 52.9% for 2022, such increase was primarily attributable to (i) the increase in gross profit margin of our construction of PPP projects from 19.0% to 32.1%; and (ii) the increase in proportion of gross profit derived from non-construction of PPP projects, which has a relatively higher gross profit margin, from 62.8% to 69.9% as more of our PPP projects has entered the operation stage.

The substantial increase in the gross profit margin of construction of our PPP projects from 19.0% for the year ended December 31, 2021 to 32.1% for the year ended December 31, 2022 was resulted from the combined effect of (i) the fluctuation in gross profit margin in several PPP projects of our specialized industrial construction segment; (ii) the fluctuation of the gross profit margin in the Xiyang PPP Project from the specialized auxiliary construction segment; and (iii) the increase in gross profit margin of construction of our PPP projects of the specialized auxiliary construction segment and other construction segment with the commencement of construction of the PPP project of Quality Improvement Project (New Party School, Qinshui East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province (the "**Qinshui PPP Project**") during the year ended December 31, 2022.

Our gross profit margin of PPP projects of the specialized industrial construction segment was mainly affected by the fluctuations in the gross profit margin of the Xinjiang Fenhe PPP Project, the PPP Project of the Photovoltaic Industry Incubation and Entrepreneurship Base of the People's Government of Huangnian Town, a suburb of Changzhi City (the "**Huangnian PPP Project**") and the PPP Project for Small Water Network Ancillary Works in Jiexiu City ("**Jiexiu PPP Project**").

The gross profit margin of Xinjiang Fenhe PPP project increased from 14.1% for the year ended December 31, 2021 to 71.6% for the year ended December 31, 2022, which was mainly due to provision made for the flood in Xinjiang City in October 2021. There was a flood in Xinjiang City in October 2021 which affected the Xinjiang Fenhe PPP Project and resulted in additional cost to be incurred in such project. Accordingly, a provision was made in respect of the estimated additional costs incurred. An assessment of the actual costs of the project was subsequently conducted in 2022 and it was agreed between the relevant government authority to bear an additional cost of approximately RMB11.4 million incurred by us due to the flood, which resulted in an increase in our revenue recognized from the Xinjiang Fenhe PPP Project during the year ended December 31, 2022, thereby causing an increase in the gross profit margin for the year ended December 31, 2022.

As for the Huangnian PPP project, there was a reassessment of the unit price of components under this project during the second half of 2022. Such reassessment has led to a decrease in our gross profit by RMB4.5 million, which in turn, affected the gross profit margin for the relevant segment accordingly.

For the Jiexiu PPP Project, our gross profit margin decreased from 34.7% for the year ended December 31, 2021 to 11.1% for the year ended December 31, 2022. Such decrease was mainly due to the increase in actual cost of raw materials (i.e. information technology facilities) when compared with that of the budgeted cost. Such decrease in the gross profit margin has in turn netted off the effect of the Xinjiang Fenhe PPP Project and the Huangnian PPP Project in improving the gross profit margin for our specialized industrial construction segment, and accordingly, our gross profit margin of the specialized industrial construction segment recorded a slight decrease from 29.6% to 29.3%.

Our gross profit margin for construction of PPP projects of the specialized auxiliary construction segment increased from 16.6% for the year ended December 31, 2021 to 49.4% for the year ended December 31, 2022, which is primarily attributable to the fluctuation in the gross profit margin in the Xiyang PPP Project and commencement of the Qinshui-East Link Traffic Hub portion of the Qinshui PPP Project. For the Xiyang PPP Project, our gross profit margin increased for the year ended December 31, 2022 which is primarily caused by, inter alia, adjustment in our cost and revenue at the closing audit, and in particular, the transfer of additional costs incurred of approximately RMB11.5 million to our customers in accordance with pricing adjustment mechanism as stipulated in the contract we entered into with the government authority of Xiyang County in respect of the Xiyang PPP Contract. The actual purchase price of a concrete component, one of the major raw materials of the Xiyang PPP Project, has increased over the construction period as compared with the estimated price upon signing of the Xiyang PPP Contract. Construction of the Xiyang PPP Project was completed in December 2020 and the relevant cost and revenue had been recognized during the relevant financial period in accordance with the construction progress. Subsequently, an adjustment of the consideration under the Xiyang PPP Project was made and agreed between the government authority of the Xiyang County and us pursuant to the final audit during the year ended December 31, 2022. Accordingly, we have recognized additional revenue of approximately RMB11.5 million during year ended December 31, 2022 as we transferred the additional cost incurred due to the increase in price of the concrete component to our customer. Our cost incurred was further adjusted downwards by approximately RMB6.8 million at the final audit due to a reduction in our payment to subcontractors due to their substandard performance with the price adjustment mechanism. In addition, at the final audit, downward adjustment on both our revenue and cost were made respectively in the sum of RMB21.5 million and RMB20.4 million as a result of alteration in construction design, cancellation of certain part of the construction and a change of construction contractor of part of the construction work, which the contractor taking over and beared the construction cost of that part of the construction incurred by us. Accordingly, the reversal in costs has resulted in recognition of a negative cost for the project and our segmental results for specialized auxiliary construction for the year ended December 31, 2022. The net effect of such negative cost was that the net percentage decrease in our cost outweigh the decrease of our revenue, thereby further improved our overall gross profit margin for construction of PPP projects for the year ended December 31, 2022.

In addition, the Qinshui-East Link Traffic Hub portion of the Qinshui PPP Project has achieved substantive construction progress, which we have recognized gross profit of RMB24.2 million with a gross profit margin of 26.6%, which has significantly contributed to the increase in our gross profit margin of our specialized auxiliary construction segment for PPP projects.

Our gross profit margin for construction of PPP projects of the other construction segment increased from 6.3% for the year ended December 31, 2021 to 14.6% for the year ended December 31, 2022. Such increase was mainly attributable to the construction of new party school portion of the Qinshui PPP Project has achieved substantive construction progress, which we have recognized gross profit of RMB14.2 million with a gross profit margin of 20.9%, which was significantly higher than the gross profit margin of 6.3% of PPP projects of the other construction segment for the year ended December 31, 2021, thereby contributing to the increase in our gross profit margin for this segment.

For the six months ended June 30, 2023 comparing with the six months ended June 30, 2022

Our gross profit of PPP projects for the six months ended June 30, 2023 was RMB127.6 million, representing a decrease in the sum of RMB1.8 million when comparing with the corresponding period in 2022 and a period-on-period decrease of 1.4%. Such decrease was primarily due to the decrease in gross profit from our construction income of PPP project by RMB10.3 million from RMB42.8 million for the six months ended June 30, 2022 to RMB32.5 million for the six months ended June 30, 2023, representing a period-on-period decrease of 24.0%. In particular, our gross profit of our construction income of PPP project of the specialized industrial construction segment has decreased by RMB14.9 million from RMB18.9 million for the six months ended June 30, 2022 to RMB4.0 million, representing a period-on-period decrease of 78.8%.

Our gross profit margin of PPP projects for the six months ended June 30, 2023 has decreased by 31.9% when comparing with that for the six months ended June 30, 2022. Such decrease was primarily due to the decrease in our gross profit margin in construction of PPP projects from 67.1% for the six months ended June 30, 2022 to 17.0% for the six months ended June 30, 2023, in particular for PPP projects of the specialized industrial construction and specialized auxiliary construction segments, which was partially offset by the increase in proportion of our non-construction PPP income from 66.9% for the six months ended June 30, 2022 to 74.5% for the six months ended June 30, 2023, the gross profit margin of which was generally a higher.

Our gross profit margin for construction income derived from PPP projects for the six months ended June 30, 2022 was exceptionally high due to exceptional fluctuations in several of our PPP projects caused by completion-audit concluded during the six months ended June 30, 2022. When comparing the gross profit margin of the construction income of PPP projects for the six months ended June 30, 2023 with that for each of the three years ended December 31, 2022, gross profit margin of the construction income of PPP projects for the six months ended June 30, 2023 was relatively lower. This was attributable to the decrease in the gross profit margin of PPP projects of the specialized auxiliary construction segment. In particular, our gross profit margin for the PPP Project of (Fourth) Sewage Treatment Plant and Supporting Pipe Network Project of New Town in North of Linfen City was 6.9%, thereby lowered our overall gross profit margin for PPP projects of the specialized auxiliary construction segment.

Other income and gains

Our other income and gains mainly includes interest income from bank and loans to associates, government grants, gain on disposal of subsidiaries and gain on disposal of assets of disposal group classified as held for sale, etc. Among them, government grants refer to non-recurring incentives and/or subsidies related to production and operation in respect of high and new technology development, employee benefits, employee protection, and businesses promoted under relevant government policies. The requirements and conditions for the eligibility of such grants are, among others, achieving the high and new technology development qualification, successful listing of a subsidiary of the Company on NEEQ and connected with the level of input to research and development etc, and which fluctuates mainly due to changes in government policies.

The following table sets forth a breakdown of our other income and gains for the years/periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Other income and gains, net					
Government grants	7,281	3,804	2,062	199	4,126
Interest income	38,984	24,146	14,101	6,664	7,657
Non-operating income	1,808	134	433	–	17
Dividend income from financial assets measured at FVOCI	330	319	–	–	86
Gain on disposal of subsidiaries	3,662	9,093	–	–	–
Gain on disposal of investments in associates	–	5,506	–	–	–
Gain on disposal of financial assets measured at FVOCI	–	2,441	–	–	–
Gain on disposal of property, plant and equipment, net	216	131	4,170	2,625	1,316
Gains on disposal of assets of disposal group classified as held for sale	68,138	–	–	–	–
Total	120,419	45,574	20,766	9,488	13,202

Change in fair value of investment properties

Our change in fair value of investment properties were RMB6.3 million, RMB0.8 million, RMB2.4 million and RMB0.1 million for the years ended December 31, 2020 and 2021 and 2022 and the six months ended June 30, 2023, respectively. Such fluctuation is mainly because our investment properties are evaluated annually based on market conditions in the corresponding areas, and the change in fair value reflects the present property value.

Selling and distribution expenses

Our selling and distribution expenses principally consist of sales and transportation fees of LNG, employee compensation, travel expenses, depreciation expenses, advertising fees and others. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our selling and distribution expenses amounted RMB0.4 million, RMB1.0 million, RMB2.1 million and RMB0.7 million, respectively.

Administrative and other operating expenses

Our administrative and other operating expenses consist principally of research and development costs, employee benefits expenses, training and consulting fees, depreciation and amortization and office expenses. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our administrative and other operating expenses amounted RMB846.2 million, RMB1,097.8 million, RMB1,190.9 million and RMB452.1 million, respectively. The table below sets forth a breakdown of the major components of our administrative and other operating expenses for the years/periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Research and development costs	427,327	562,038	678,720	262,220	185,266
Employee benefits expenses	240,362	322,145	290,711	139,772	168,270
Training and consulting fees	28,897	35,521	46,545	14,838	31,567
Depreciation and amortization	14,609	19,463	19,247	9,826	9,231
Office expenses	22,783	17,331	23,753	10,181	15,440
Traveling and transportation expense	17,212	17,096	7,544	2,947	4,877
Finance charges	3,912	2,164	6,851	3,958	3,780
Provision for expected credit losses on contract assets	2,453	19,427	42,986	8,482	3,472
Provision for expected credit losses on receivables under service concession arrangements	1,265	12,833	15,373	2,584	1,369
Other expenses	87,372	89,735	59,188	24,083	28,847
Total	846,192	1,097,753	1,190,918	478,891	452,119

Research and development costs

Our research and development costs for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 amounted to RMB427.3 million, RMB562.0 million, RMB678.7 million and RMB185.3 million, respectively. The increase during the three years ended December 31, 2022 was mainly due to the growth of in number of our research and development projects of 161 projects in 2020, 166 projects in 2021 and 222 projects in 2022. Due to our effective cost control measurees, our research and development costs substantially decreased from RMB262.2 million for the six months ended June 30, 2022 to RMB185.3 million for the six months ended June 30, 2023. During the six months ended June 30, 2023, we have a total of 205 research and development projects. Our research and development area covers winder power engineering technology, photovoltaic construction technology and assembly building construction technology, etc.

Employee benefits expenses

Employee benefits expenses represent the cost of salaries, bonuses, other benefits and social insurance paid by us for our employees. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our employee benefits expenses amounted to RMB240.4 million, RMB322.1 million, RMB290.7 million and RMB168.3 million, respectively. Such expenses have increased during the year ended December 31, 2021 when compared to that for the year ended December 31, 2020 was mainly due to increase in the number of employees and our policy of continuously increasing compensation levels to motivate our employees. Our employee benefits expenses decreased during the year ended December 31, 2022 when compared to that of 2021 was primarily due to our effort in streamlining our corporate structure. For the six months ended June 30, 2023, our employee benefits expenses increased by RMB28.5 million when comparing with that for the six months ended June 30, 2022, representing a period-on-period increase of 20.4%. Such increase is primarily due to revision of employee benefit package as part of our employee motivation policy.

Training and consulting fees

Training and consulting fees include training fees, which are fees paid for employee training and external seminars, and consulting fees, which are consulting fees paid to the third-party institutions in the pre-project stage. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our training and consulting fees amounted to RMB28.9 million, RMB35.5 million, RMB46.5 million and RMB31.6 million, respectively.

Depreciation and amortization

Depreciation represents depreciation of right-of-use assets, building and structure and office equipment. Amortization refers to amortization of intangible assets such as patents. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our depreciation and amortization amounted to RMB14.6 million, RMB19.5 million, RMB19.2 million and RMB9.2 million, respectively.

Office expenses

Office expenses refer to books and newspapers, stationery printing, telephone, internet communication and other expenses. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our office expenses amounted to RMB22.8 million, RMB17.3 million, RMB23.8 million and RMB15.4 million, respectively.

Other expenses

Other expenses refer to other expenses such as insurance premium, repair and maintenance costs, utilities, leasing costs, sewage costs, safety costs, intergroup service costs, meeting costs etc., which are consolidated into other expenses due to the small percentage of each breakdown.

Finance costs

Our finance costs mainly represent interest on bank borrowings and other borrowings, interest on lease liabilities and financial charge on factoring. Change in finance costs is mainly attributable to the increased interest rate in 2021, followed by a stable interest rate in 2022.

According to Frost & Sullivan, it is an industry practice that some projects require staged capital investment, and our granted credit keeps increasing as we strengthen cooperation with financial institutions, which leads to the continuous increase in scale of borrowing by financial institutions.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our finance costs were RMB293.8 million, RMB392.6 million, RMB397.2 million and RMB179.2 million, respectively.

The table below sets forth the components of our finance costs for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on bank borrowings and other borrowings	296,208	391,050	394,134	198,775	182,366
Interest on lease liabilities	3,392	3,552	3,733	1,505	1,924
Financial charge on factoring	–	–	9,534	–	–
Actuarial interest adjustment	–	–	158	–	490
Less: capitalized interest	(5,845)	(1,992)	(10,351)	(4,549)	(5,600)
Total finance costs	293,755	392,610	397,208	195,731	179,180

Provision for expected credit losses on financial assets

Our provision for expected credit losses on financial assets represent expected credit losses on our trade receivables and bills receivable and deposits and other receivables. During the Track Record Period, we apply an internal expected credit loss model (the "**ECL Model**") developed by the management of the Group in calculating expected credit losses and recognizes provision for expected credit losses. The expected credit loss rate reflects the recoverability and historical settlement results on trade receivables and bills receivable and deposits and other receivables at the end of each reporting period without the use of hindsight. Any reduction on or addition to the expected credit losses on our trade receivables and bill receivables and deposits and other receivables at the end of each year is credited or charged to profit or loss. For details of the ECL Model, please refer to "trade receivables and bills receivable" in this section. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, we had expected credit loss provision on financial assets of RMB57.8 million, RMB80.6 million, RMB60.0 million and RMB44.1 million, respectively.

Share of loss/profit of associates

Our major associated companies are principally engaged in the exploitation and utilization of renewable energy sources, technology consulting for industrial installation engineering, steel structure engineering construction and technological development and consulting of energy-saving products. Our share of loss/profit of associates are the loss or profit attributable to us from our associates pursuant to our equity interests in such associates. An associate is an entity over which we have significant influence to participate in financial and operating policy decisions, but not control or joint control. For years ended December 31, 2020 and 2021, our share of loss of associates were respectively RMB2.5 million and RMB5.8 million; whereas we recorded a share of profit of associates of RMB5.5 million for the year ended December 31, 2022. For the six months ended June 30, 2023, we recorded a share of profit of associates of RMB2.3 million.

Profit before tax

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our profit before tax was RMB354.2 million, RMB212.2 million, RMB212.8 million and RMB120.9 million, respectively.

Income tax expense

Our income tax expense for a given period includes payments and provisions made for corporate income tax and land appreciation tax. The following table sets forth a breakdown of our tax expenses for the years/periods indicated.

	For the year ended December 31,			**For the six months ended June 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax	54,288	39,257	52,568	27,369	19,916
Over provision in prior years	(821)	–	–	–	–
Deferred income tax	18,481	(15,136)	(40,222)	(976)	(9,224)
Income tax expense	**71,948**	**24,121**	**12,346**	**26,393**	**10,692**

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our income tax expense was RMB71.9 million, RMB24.1 million, RMB12.3 million and RMB10.7 million, respectively. Our income tax expense decreased for the year ended December 31, 2022 as compared to the year ended December 31, 2021, which was mainly attributable to increase in revenue contribution from the Company which is eligible to pay enterprise income tax at a preferential rate of 15% and increase in research and development cost that enjoyed additional tax deduction as announced by the Ministry of Finance of the PRC and partly offset by increase in deferred income tax as a result of an increase in the temporary difference from PPP interest expense recognised under PPP Projects in 2022.

During the Track Record Period, our residential properties appreciation values do not exceed 20% of the sum of the total deductible items and hence no land appreciation tax is provided.

During the Track Record Period and up to the Latest Practicable Date, we have no material disputes or pending matters with the relevant tax authorities.

Profit for the year/period

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our profit for the year were RMB282.2 million, RMB188.0 million, RMB200.4 million and RMB110.2 million, respectively, and our net profit margin for the corresponding year/period were 2.8%, 1.4%, 1.6% and 2.1%, respectively.

Profit attributable to non-controlling interests

Non-controlling interests represent interests in subsidiaries that are not directly or indirectly attributable to the Company. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our profit attributable to non-controlling interests were RMB65.9 million, RMB63.2 million, RMB49.6 million and RMB25.8 million, respectively.

COMPARISON OF RESULTS OF OPERATIONS

Six months ended June 30, 2022 compared to six months ended June 30, 2023

Revenue

Our total revenue decreased by 8.7% from RMB5,747.9 million for the six months ended June 30, 2022 to RMB5,248.0 million for the six months ended June 30, 2023. Such decrease was mainly due to the decrease in our revenue derived from our EPC projects of the specialized industrial construction segment, specialized auxiliary construction segment and other construction segment.

Specialized industrial construction

Segmental revenue of our specialized industrial construction decreased by RMB254.5 million, representing a period-on-period decrease of 8.0% from RMB3,187.1 million for the six months ended June 30, 2022 to RMB2,932.6 million for the six months ended June 30, 2023. Such decrease was mainly attributable to (i) the decrease in our construction revenue derived from PPP projects of the specialized industrial construction segment from RMB46.7 million for the six months ended June 30, 2022 to RMB16.8 million for the six months ended June 30, 2023, representing a period-on-period decrease of 64.0%, mainly attributable to the construction of the PPP Project for Small Water Network Ancillary Works in Jiexiu City was approaching completion, which led to a decrease in construction income from PPP projects;

and (ii) the decrease in our revenue from EPC projects of the specialized industrial construction segment, in particular from our power engineering business, of which our revenue derived therefrom decreased from RMB1,987.6 million for the six months ended June 30, 2022 to RMB1,674.9 million for the six months ended June 30, 2023, representing a period-on-period decrease of 15.7%. Such decrease is primarily attributable to the absence of comparable large-scale construction projects during the six months ended June 30, 2023 when comparing with that in the corresponding period in 2022, such as the 350MW low calorific value coal power generation project in Hequ (i.e. Project SIC-27) and the Guosheng 100MW Photovoltaic Power Project in Huozhou, which we have recognized RMB491.5 million and RMB286.4 million respectively thereunder during the six months ended June 30, 2022; whereas the largest EPC project in the specialized industrial construction segment for the six months ended June 30, 2023 was a power grid construction project in Lianijan, Guangdong (i.e. Project SIC-40), under which we have recognized revenue of RMB283.1 million during the six months ended June 30, 2023. On the other hand, due to the delay in several sizable projects during the six months ended June 30, 2023, including several wind power projects and photovoltaic power farm construction projects arising from, inter alia, the delay in application procedures for requisite permits to commence construction to be obtained by project owners, change in design of construction layout and etc..

Specialized auxiliary construction

Revenue from our specialized auxiliary construction segment decreased by RMB189.9 million, representing a period-on-period decrease of 17.1%, from RMB1,111.4 million for the six months ended June 30, 2022 to RMB921.5 million for the six months ended June 30, 2023. Such decrease was mainly attributable to the decrease in our revenue from EPC projects of the specialized auxiliary construction segment from RMB1,107.4 million for the six months ended June 30, 2022 to RMB799.6 million for the six months ended June 30, 2023, in particular our (i) urban heating engineering business, which our revenue derived therefrom decreased by RMB172.9 million during the six months ended June 30, 2023 when comparing with the corresponding period in 2022 and (ii) standardized workshop engineering business, which our revenue derived therefrom increased from RMB428.0 million for the six months ended June 30, 2022 to RMB477.7 million for the six months ended June 30, 2023, representing a period-on-period increase of 11.6%. Such increase was partially offset by our construction income from PPP projects of specialized auxiliary construction segment. Our construction income from PPP projects of specialized auxiliary construction segment increased from RMB3.9 million for the six months ended June 30, 2022 to RMB121.9 million for the six months ended June 30, 2023, representing a period-on-period increase of 2,999.0%. Such increase was attributable to the commencement of construction of the PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone and substantive construction progress of the Qinshui-East Link Traffic Hub portion of the Qinshui PPP Project during the six months ended June 30, 2023.

Other construction

Revenue from our other construction segment decreased by RMB143.4 million, representing a period-on-period decrease of 15.8% from RMB909.0 million for the six months ended June 30, 2022 to RMB765.5 million for the six months ended June 30, 2023. Such decrease was mainly attributable to the decrease in our revenue from EPC projects of the other construction segment from RMB895.8 million for the six months ended June 30, 2022 to RMB712.8 million for the six months ended June 30, 2023, representing a period-on-period decrease of 20.4% and was partially offset by the increase in our construction income from PPP projects of the other construction segment. The decrease in our revenue derived from EPC projects of the other construction segment was primarily attributable to the decrease in our electronic and intelligent engineering business, under which our revenue derived therefrom has decreased by 97.7% from RMB110.6 million for the six months ended June 30, 2022 to RMB2.5 million for the six months ended June 30, 2023, and that from our prefabricated construction business, of which our revenue derived therefrom decreased from RMB197.5 million for the six months ended June 30, 2022 to RMB112.7 million for the six months ended June 30, 2023, representing a period-on-period decrease of 42.9%. On the other hand, our construction income from PPP projects of other construction segment increased from RMB13.2 million for the six months ended June 30, 2022 to RMB52.7 million for the six months ended June 30, 2023, representing a period-on-period increase of 300.6%. Such increase was attributable to the substantive construction progress in the New Party School portion of the PPP project of Quality Improvement Project (New Party School, Qinshui- East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province during the six months ended June 30, 2023.

Non-construction business

Revenue from our non-construction business segment increased by RMB87.9 million, representing a period-on-period increase of 16.3%, from RMB540.6 million for the six months ended June 30, 2022 to RMB628.4 million for the six months ended June 30, 2023. Such increase was mainly attributable to the increase in our non-construction income from PPP projects, comprising (i) the increase in our interest income from PPP projects from RMB69.9 million for the six months ended June 30, 2022 to RMB78.6 million for the six months ended June 30, 2023, representing period-on-period increase of 12.5%; and (ii) the increase in our operating fee income of PPP projects from RMB47.5 million for the six months ended June 30, 2022 to RMB52.8 million for the six months ended June 30, 2023, representing period-on-period increase of 11.2%. The increase in our non-construction income from PPP projects was primarily attributable to the fact that we have one additional PPP project entering into the operation stage during the six months ended June 30, 2023. In addition, we have recorded increase in our urban heating technical services income of 42.7% as a result of the completion in construction of an additional heating supply projects in the second half of 2022 and increase in revenue from sales of LNG of 13.6% during the six months ended June 30, 2023 when comparing with the corresponding period in 2022, resulting in an increase in our overall non-construction income.

Cost of sales, gross profit and gross profit margin

Our cost of sales decreased by RMB443.6 million, representing a period-on-period decrease of 9.0%, from RMB4,905.7 million for the six months ended June 30, 2022 to RMB4,462.0 million for the six months ended June 30, 2023. Such decrease was mainly attributable to the overall decrease in our cost incurred in our specialized industrial construction segment, specialized auxiliary construction segment and other construction segment with period-on-period decrease of 7.3%, 18.2% and 19.4%, respectively. Such decrease in our cost of sales was generally in line with the decrease in revenue in the same period. On the other hand, the decrease in our overall cost was partially offset by the increase in cost of our non-construction business, which was primarily driven by the increase in our cost for our urban heating technical service business.

For the six months ended June 30, 2022 and 2023, our gross profit was RMB842.3 million and RMB786.0 million, and our gross profit margin was 14.7% and 15.0%, respectively, which remained relatively stable.

Specialized industrial construction

The cost of sales of our specialized industrial construction decreased by RMB205.4 million, representing a period-on-period decrease of 7.3%, from RMB2,807.5 million for the six months ended June 30, 2022 to RMB2,602.1 million for the six months ended June 30, 2023. The decrease in cost of sales of our specialized industrial construction segment was mainly due to the fact that during the six months ended June 30, 2022, the Group undertook construction projects of larger scale such as the 350MW low calorific value coal power generation EPC project in Hequ (河曲350MW低熱值煤發電EPC總承包項目) (i.e. Project SIC-27), which attained substantive progress in the first half of 2022 and incurred more costs on equipment purchases. The decrease in the cost of specialized industrial construction was mainly attributable to the absence of large-scale projects of with similar scale during the six months ended June 30, 2023 due to the delay in several sizable projects including several wind power projects and photovoltaic power farm construction projects arising from, inter alia, the delay in application procedures for requisite permits to commence construction, change in design of construction layout and etc..

For the six months ended June 30, 2022 and 2023, gross profit of our specialized industrial construction segment was RMB379.6 million and RMB330.5 million, and segment gross profit margin was 11.9% and 11.3%, respectively, which remained relatively stable.

Specialized auxiliary construction

The cost of sales of our specialized auxiliary construction decreased by RMB170.8 million, representing a period-on-period decrease of 18.2% from RMB937.6 million for the six months ended June 30, 2022 to RMB766.8 million for the six months ended June 30, 2023. Such decrease was mainly attributable to the reduction in the number of large-scale projects undertaken by the Group during the six months ended June 30, 2023 when comparing with the corresponding period in 2022. During the six months ended June 30, 2023, the Group undertook 15 projects under the specialized auxiliary construction segment with costs of more than RMB10 million as compared to that of 25 in the corresponding period in 2022. Accordingly, our cost incurred for specialized auxiliary construction segment decreased during the six months ended June 30, 2023.

For the six months ended June 30, 2022 and 2023, gross profit of our specialized auxiliary construction segment were RMB173.8 million and RMB154.7 million, and segment gross profit margin was 15.6% and 16.8%, respectively. Particularly, the gross profit margins for some of the major projects in our specialized auxiliary construction segment recorded higher gross profit margin, including a construction project of a 50,000 ton high-purity polycrystalline silicon production plant (i.e. Project SAC-30), the project recorded highest revenue during the six months ended June 30, 2023 which had a revenue contribution of 16.9% to our revenue for the specialized auxiliary construction segment. Such project had a gross profit margin of 17.4%, which was 1.8 percentage points higher than the overall gross profit margin of our specialized auxiliary construction segment for the six months ended June 30, 2022, thereby contributing to the increase in our overall gross profit margin of our specialized auxiliary construction segment for the six months ended June 30, 2023.

Other construction

The costs of sales from our other construction decreased by RMB160.1 million, representing a period-on-period decrease of 19.4% from RMB823.5 million for the six months ended June 30, 2022 to RMB663.3 million for the six months ended June 30, 2023. Such decrease was mainly attributable to the decrease in construction volume in our other construction segment as a result of the reduction in the number of large-scale projects undertaken by the Company during the six months ended June 30, 2023 when comparing with the corresponding period in 2022. During the six months ended June 30, 2023, the Group undertook 17 projects under the other construction segment with costs of more than RMB10 million as compared to that of 26 projects in the corresponding period in 2022.

For the six months ended June 30, 2022 and 2023, gross profit from our other construction segment were RMB85.5 million and RMB102.2 million, respectively, while the gross profit margin were 9.4% and 13.3%, respectively. The increase in our gross profit margin is mainly due to the increase in our gross profit margin for SECH Building projects, of which we recorded a negative gross profit margin in the six months ended June 30, 2022 due to the effect of completion audit. Our gross profit margin from the SECH Buildings resumed to normal level during the six months ended June 30, 2023, thereby contributing to the increase in overall gross profit margin in our other construction segment.

Non-construction business

The cost of sales from our non-construction business increased by RMB92.7 million, representing a period-on-period increase of 27.5%, from RMB337.1 million for the six months ended June 30, 2022 to RMB429.8 million for the six months ended June 30, 2023. Such increase was generally in line with the increase in revenue of the non-construction business segment during the period. Such increase is primarily attributable to the increase in costs of our urban heating technical service business.

For the six months ended June 30, 2022 and 2023, gross profits from our non-construction business were RMB203.5 million and RMB198.7 million, respectively, while the gross profit margin were 37.6% and 31.6%, respectively. The decrease in gross profit margin is mainly due to the decrease in gross profit margin for our sales of LNG, which decreased from 19.6% for the six months ended June 30, 2022 to 5.1% for the six months ended June 30, 2023. Since 2023, the price of LNG declined and due to the time lag between the timing of our procurement of LNG and timing of sales, the decline in the price of LNG had affected our gross profit margin.

Other income and gains

Our other income and gains increased by 38.9% from RMB9.5 million for the six months ended June 30, 2022 to RMB13.2 million for the six months ended June 30, 2023. The increase was mainly attributable to the increase in (i) the government grants we received increased from RMB0.2 million for the six months ended June 30, 2022 to RMB4.1 million for the six months ended June 30, 2023; and (ii) our interest income from RMB6.7 million for the six months ended June 30, 2022 to RMB7.7 million for the six months ended June 30, 2023.

Selling and distribution expenses

Our selling and distribution expenses decreased by 37.4% from RMB1.2 million for the six months ended June 30, 2022 to RMB0.7 million for the six months ended June 30, 2023. The decrease was mainly attributable to the decrease in our marketing expenses.

Administrative expenses and other operating expenses

Our administrative and other operating expenses slightly decreased by 5.6% from RMB478.9 million for the six months ended June 30, 2022 to RMB452.1 million for the six months ended June 30, 2023, mainly due to the decrease in our research and development cost from RMB262.2 million for the six months ended June 30, 2022 to RMB185.3 million for the six months ended June 30, 2023, representing a period-on-period decrease of 29.3%, and was partially offset by the increase in our employee benefits expenses, and training and consulting fee. The decrease in our research and development cost was primarily attributable to our cost control measures.

Finance costs

Our finance costs decreased by 8.5% from RMB195.7 million for the six months ended June 30, 2022 to RMB179.2 million for the six months ended June 30, 2023, mainly due to (i) the decrease in loan prime rate in the market from 3.70% in June 2022 to 3.65% in June 2023; and (ii) the repayment of loan throughout the period.

Share of profit of associates

For the six months ended June 30, 2022 and 2023, we recorded share of profit of associates of RMB6.1 million and RMB2.3 million respectively.

Provision for expected credit losses on financial assets

Our provision for expected credit losses on financial assets amounted to RMB14.0 million and RMB44.1 million for the six months ended June 30, 2022 and 2023, respectively, which was mainly attributable to the downward trend of the ageing profile of our trade receivables as of June 30, 2023 when compared with the ageing profile as of December 31, 2022. As such, the addition to the overall expected credit loss allowance to the trade receivables that charged to profit or loss as the provision for expected credit losses on financial assets has increased.

Income tax expense

Our income tax expense decreased by 59.5% from RMB26.4 million for the six months ended June 30, 2022 to RMB10.7 million for the six months ended June 30, 2023, primarily due to the decrease in our profit before tax and an increase in amount of tax losses not recognized for the six months ended June 30, 2023 when comparing with the corresponding period in 2022.

Profit for the period

As a result of the foregoing, our profit for the period decreased by 19.0% from RMB136.2 million for the six months ended June 30, 2022 to RMB110.2 million for the six months ended June 30, 2023.

Year ended December 31, 2021 Compared to year ended December 31, 2022

Revenue

Our total revenue slightly decreased by 3.3% from RMB13,278.4 million for the year ended December 31, 2021 to RMB12,844.8 million for the year ended December 31, 2022. Such decrease was mainly due to the decrease in revenue derived from our specialized auxiliary construction business by RMB1,027.3 million, and partially offset by the increase in revenue derived from our specialized industrial construction business by RMB626.2 million.

Specialized industrial construction

Segment revenue of our specialized industrial construction increased by 9.0% from RMB6,964.9 million for the year ended December 31, 2021 to RMB7,591.1 million for the year ended December 31, 2022. Such increase was mainly attributable to increase in revenue we derived from power engineering constructions and petrochemical engineering constructions undertaken during the period.

Revenue from power engineering increased by 7.3% from RMB4,617.3 million for the year ended December 31, 2021 to RMB4,952.3 million for the year ended December 31, 2022. The increase in revenue derived from power engineering projects is mainly attributable to substantive construction progress of construction projects of larger scale, which include the 350MW low calorific value coal power generation EPC project in Hequ (河曲350MW低熱值煤發電EPC總承包項目) (i.e. Project SIC-27) and the 200MW Wind Power Phase II Project in Gujiao County (古交正溝200MW風電二期總承包項目) (i.e. Project SIC-37).

Revenue from petrochemical engineering increased by 35.1% from RMB1,144.1 million for the year ended December 31, 2021 to RMB1,545.4 million for the year ended December 31, 2022, which is mainly attributable to substantive construction progress in construction projects of larger scale, including a construction project of a high priority polysilicon production plant (i.e. Project SIC-36) and a construction project of a petrochemical styrene plant in Jieyang, Guangdong (i.e. Project SIC-30).

Specialized auxiliary construction

Revenue from our specialized auxiliary construction segment decreased by 32.9% from RMB3,118.3 million for the year ended December 31, 2021 to RMB2,091.1 million for the year ended December 31, 2022. In particular, our revenues derived from construction of PPP projects of specialized auxiliary construction has decreased by RMB157.5 million from RMB252.2 million for the year ended December 31, 2021 to RMB94.7 million for the year ended December 31, 2022, representing a year-on-year decline rate of 62.5%; whereas our revenue derived from EPC projects of the specialized auxiliary construction has decreased by RMB869.7 million from RMB2,866.1 million to RMB1,996.4 million, representing a year-on-year decline rate of 30.3%. Such decrease was mainly due to significant construction progress in certain projects was recognized in 2021, which led to the significant decrease in the revenue of standardized workshop engineering, drainage engineering and water supply engineering in 2022.

The revenue from standardized workshop engineering decreased by 43.3% from RMB1,136.5 million for the year ended December 31, 2021 to RMB644.4 million for the year ended December 31, 2022, which was mainly due to the significant progress of several standardized workshop engineering projects was recognised in 2021, including our construction project in Weilan Valley Prefabricated Building Intelligent Manufacturing Industrial Park (i.e. Project SAC-12) and our construction project of a production plant and outdoor storage yard (i.e. Project SAC-11), thus the number of project with significant progress of project recognized in 2022 for standardized workshop engineering has decreased.

The revenue from water supply engineering decreased by 94.2% from RMB150.8 million for the year ended December 31, 2021 to RMB8.8 million for the year ended December 31, 2022, which was mainly due to the significant progress of relocation construction project of water pipe in Wuhu City (i.e. Project SAC-21) was recognised in 2021 and there is no comparable significant progress of project in 2022 for water supply engineering.

The revenue from drainage engineering decreased by 83.7% from RMB280.4 million for the year ended December 31, 2021 to RMB45.7 million for the year ended December 31, 2022, which was mainly due to the significant progress of Jincheng Qingshan Street Road Project (i.e. Project SAC-19), Dingxiang County Mumahe Street Phase III Project and Jingle Sewage Purification Project was recognised in 2021 and there is no significant progress of project recognised in 2022 for drainage engineering.

Other construction

Revenue from our other construction segment decreased by 9.1% from RMB2,087.3 million for the year ended was December 31, 2021 to RMB1,896.6 million for the year ended December 31, 2022, which was mainly due to the revenue of residential building construction decreased by 47.3% from RMB969.3 million for the year ended December 31, 2021 to RMB510.9 million for the year ended December 31, 2022 and partially offset by the increase in our revenue derived from other construction works in the segment from RMB586.9 million for the year ended December 31, 2021 to RMB980.8 million for the year ended December 31, 2022, representing a year-on-year growth rate of 67.1%. The growth in our other construction works was mainly attributable to revenue generated from commercial building construction, in particular we have recognized a revenue in the sum of RMB124.6 million for a commercial building construction project in Taiyuan, Shanxi (i.e. Project OC-22) and a revenue in the sum of RMB115.0 million for a commercial building construction project in Baodi, Tianjin (i.e. Project OC-34) in 2022.

Non-construction business

Revenue from our non-construction business segment increased by 14.3% from RMB1,107.8 million for the year ended December 31, 2021 to RMB1,266.0 million for the year ended December 31, 2022. Such increase was mainly due to increase in trading revenue by 103.2% from RMB148.0 million for the year ended December 31, 2021 to RMB300.7 million for the year ended December 31, 2022 as a result of increased sales of engineering raw materials, including concrete, wind turbine towers and construction modules. The reason for such increase is that the sales volume of concrete and wind turbine towers has increased when compared to that of 2021.

Cost of sales, gross profit and gross profit margin

Our cost of sales decreased by 4.6% from RMB11,530.4 million for the year ended December 31, 2021 to RMB11,002.8 million for the year ended December 31, 2022. The slight decrease in our cost of sales was generally in line with the slight decrease in revenue in the same year. The fluctuation of our cost of sales is largely dependent on specific project needs. During the year ended December 31, 2022, the majority of our major cost component has decreased, which our raw material costs, labour force costs, machinery utilization costs and other costs have respectively decreased by RMB127.9 million, RMB228.3 million, RMB240.3

million and RMB418.2 million, and was partially offset by the increase in our subcontracting costs by 58.9% from RMB826.4 million for the year ended December 31, 2021 to RMB1,313.4 million for the year ended December 31, 2022.

For the years ended December 31, 2021 and 2022, our gross profit was RMB1,747.9 million and RMB1,842.0 million, and our gross profit margin was 13.2% and 14.3%, respectively, which remained relatively stable.

Specialized industrial construction

The cost of sales of our specialized industrial construction increased by 6.3% from RMB6,282.4 million for the year ended December 31, 2021 to RMB6,680.9 million for the year ended December 31, 2022. The increase in cost of sales from our specialized industrial construction segment was mainly due to the growth of our specialized industrial construction business and the growth rate was generally in line with the increase in our revenue generated from the specialized industrial construction segment.

For the years ended December 31, 2021 and 2022, gross profit of our specialized industrial construction segment was RMB682.5 million and RMB910.2 million, and segment gross profit margin was 9.8% and 12.0%, respectively.

Specialized auxiliary construction

The cost of sales of our specialized auxiliary construction decreased by 33.3% from RMB2,725.5 million for the year ended December 31, 2021 to RMB1,818.0 million for the year ended December 31, 2022. The decrease in cost of sales from our specialized auxiliary construction, mainly due to decrease in line with the 32.9% decrease in revenue derived from specialized auxiliary construction.

For the years ended December 31, 2021 and 2022, gross profit of our specialized auxiliary construction segment was RMB392.8 million and RMB273.1 million, and segment gross profit margin was 12.6% and 13.1%, respectively. Despite specific fluctuations in gross profit margin of certain projects were observed, their effects were netted off and our overall segmental gross profit margin for specialized auxiliary construction segment has remained stable. Particularly, the gross profit margins for urban heating engineering and standardized workshop engineering have increased during the year ended December 31, 2022. Such increase in gross profit margin was mainly due to the fact that our cost of sale has decreased especially for our installation work of an LNG production plant in Inner Mongolia (i.e. Project SAC-4), construction project of comprehensive service area in Shanxi (i.e. Project SAC-17) and installation of steel structures in Taiyuan (i.e. Project SAC-23) and etc., for the year ended December 31, 2022 as compared with that of the year ended December 31, 2021. The decrease in cost of sales was mainly attributable to the decrease in the usage of raw materials due to some of our construction projects have entered into installation stage in 2022 and which was partially off-set by the increase in our subcontracting cost.

Other construction

The costs of sales from our other construction decreased by 13.7% from RMB1,955.9 million for the year ended December 31, 2021 to RMB1,687.3 million for the year ended December 31, 2022. Such decrease was in line with the decrease in revenue derived from this segment.

For the years ended December 31, 2021 and 2022, gross profit from our other construction segment were RMB131.5 million and RMB209.3 million respectively, while the gross profit margin were 6.3% and 11.0%, respectively. The increase in our gross profit margin of our other construction segment was mainly due to increase in gross profit margin of our commercial building construction projects from 9.3% for 2021 to 14.1% for 2022, and increase in gross profit margin of our projects of construction of public buildings from 9.0% for 2021 to 16.2% for 2022.

Non-construction business

The cost of sales from our non-construction business increased by 44.1% from RMB566.7 million for the year ended December 31, 2021 to RMB816.6 million for the year ended December 31, 2022. Such increase was mainly due to the increase in the cost of LNG during the period.

For the years ended December 31, 2021 and 2022, gross profits from our non-construction business were RMB541.2 million and RMB449.4 million, respectively, while the gross profit margin were 48.8% and 35.5%, respectively. The decrease in gross profit margin is mainly due to increase in the cost of LNG, thus resulted in decrease in gross profit and gross profit margin for sales of LNG.

Other income and gains

Our other income and gains decreased by 54.4% from RMB45.6 million for the year ended December 31, 2021 to RMB20.8 million for the year ended December 31, 2022. The decrease was mainly attributable to (i) interest income decreased by 41.5% from RMB24.1 million for the year ended December 31, 2021 to RMB14.1 million for the year ended December 31, 2022, which was due to the decrease in interest received on the principal of borrowings from associates, the principal of which has been repaid in full during the year ended December 31, 2022; and (ii) the absence of gain on disposal of subsidiaries and investments in associates during the year ended December 31, 2022.

Selling and distribution expenses

Our selling and distribution expenses increased by 110.0% from RMB1.0 million for the year ended December 31, 2021 to RMB2.1 million for the year ended December 31, 2022.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 8.5% from RMB1,097.8 million for the year ended December 31, 2021 to RMB1,190.9 million for the year ended December 31, 2022, mainly due to our endeavors to strengthen our research and development efforts and the provision made of RMB10.4 million for the delay in progress in respect of the Australia project; which was partially offset by the decrease in our other expenses by RMB30.5 million, representing a year-on-year decrease of 34.0% as we had a non-recurring office renovation expenses in 2021. Our Group conducted project research and development according to the needs of engineering construction, including 222 R&D projects such as research and application of combined garbage pit heating system technology, research and application of ventilation pipe installation technology under large-span grid frame, research and application of super-high chimney steel inner tube welding technology, resulting in an increase in research and development expenses. For further details of our invention patents, see "Statutory and General Information – B. Further Information about Our Business – 2. Our Material Intellectual Property Rights" in Appendix VI to this prospectus.

Finance costs

Our finance costs recorded a slight increase by 1.2% from RMB392.6 million for the year ended December 31, 2021 to RMB397.2 million for the year ended December 31, 2022. Finance costs were incurred due to certain projects required capital injection by phases and accordingly, led to the increase in the scale of our borrowings and interest expenses. For the year ended December 31, 2022, our Company also incurred financial charge on factoring in the sum of RMB9.5 million, thereby increasing our finance cost. For further details, please refer to the disclosure in the paragraph headed "Continuing Connected Transactions – Financial Services Framework Agreement".

Share of losses/profit of associates

For the year ended December 31, 2021, our share of loss of associates were RMB5.8 million, while for the year ended December 31, 2022, we recorded share of profit of associates of RMB5.5 million, where such share of profit of associate was primarily attributable to the income of long-term equity investment taking into account of our equity interest in the relevant associates.

Provision for expected credit losses on financial assets

Our provision for expected credit loss on financial assets amounted to RMB80.6 million and RMB60.0 million for the years ended December 31, 2021 and 2022, respectively which was mainly attributable to the fact that the aging profile of our trade receivables as of December 31, 2022 was slightly improved when compared with the aging profile as of December 31, 2021. As such, the addition to the overall expected credit loss allowance to the trade receivables that charged to profit or loss as the provision for expected credit losses on financial assets decreased.

Income tax expense

Our income tax expense decreased by 49.0% from RMB24.1 million for the year ended December 31, 2021 to RMB12.3 million for the year ended December 31, 2022, primarily due to the fact that the increase in the revenue contribution from the parent company, which is eligible to pay earned income tax at a preferential rate of 15% and increase in research and development cost that enjoyed additional tax deduction as announced by the Ministry of Finance of the PRC.

Profit for the year

As a result of the foregoing, our profit for the year increased by 6.6% from RMB188.0 million for the year ended December 31, 2021 to RMB200.4 million for the year ended December 31, 2022.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased by 30.8% from RMB10,148.6 million for the year ended December 31, 2020 to RMB13,278.4 million for the year ended December 31, 2021. Such increase was mainly due to increase in revenue from our specialized industrial construction, specialized auxiliary construction and other construction.

Specialized industrial construction

Segment revenue of our specialized industrial construction increased by 28.5% from RMB5,421.6 million for the year ended December 31, 2020 to RMB6,964.9 million for the year ended December 31, 2021. As we had 20 specialized industrial construction projects with recognized revenue over RMB100 million for the year ended December 31, 2021, while we only had eight projects of this size for the year ended December 31, 2020, with representative projects such as the 25MW distributed wind power project in Yuncheng, Shanxi (i.e. Project SIC-19) which recognized revenue of RMB489.6 million in 2021.

Power engineering increased by 19.6% from RMB3,859.7 million for the year ended December 31, 2020 to RMB4,617.3 million for the year ended December 31, 2021. The representative projects include the 25MW distributed wind power project in Yuncheng, Shanxi (i.e. Project SIC-19), photovoltaic bidding power generation project in Shijiazhuang, Hebei (i.e. Project SIC-20).

Petrochemical engineering increased by 110.0% from RMB544.9 million for the year ended December 31, 2020 to RMB1,144.1 million for the year ended December 31, 2021. The representative projects include the caprolactam expansion project in Cangzhou (i.e. Project SIC-29), a comprehensive pipeline corridor project of an industrial ecological park.

Specialized auxiliary construction

Revenue from our specialized auxiliary construction segment increased by 18.1% from RMB2,639.5 million for the year ended December 31, 2020 to RMB3,118.3 million for the year ended December 31, 2021. Such increase was mainly due to increase in revenue from standardized workshop engineering construction projects and water supply engineering construction projects and better result from market development, enabling us to take on more quality specialized auxiliary construction projects, such as the Coal to Electricity Heating Demonstration Transformation Project in Township of Keping County (i.e. Project SAC-18), which had a recognized revenue of RMB196.9 million for the year ended December 31, 2021.

Revenue from standardized workshops increased by 32.6% from RMB857.3 million for the year ended December 31, 2020 to RMB1,136.5 million for the year ended December 31, 2021. The representative projects include design and general construction contracting for a standardized workshop construction project in Weilan Valley Prefabricated Building Intelligent Manufacturing Industrial Park (i.e. Project SAC-12).

Water supply increased from RMB0.4 million for the year ended December 31, 2020 to RMB150.8 million for the year ended December 31, 2021. The representative projects include a relocation construction project of water pipe in Wuhu City (i.e. Project SAC-21).

Other construction

Revenue from our other construction segment increased by 53.4% from RMB1,360.5 million for the year ended December 31, 2020 to RMB2,087.3 million for the year ended December 31, 2021. Our revenue generated from housing construction projects increased by 198.5% from RMB324.8 million for the year ended December 31, 2020 to RMB969.3 million for the year ended December 31, 2021, which is mainly due to additional large housing construction projects undertaken, such as the Taiyuan Talent Apartment Project, a construction project for apartment in Taiyuan (i.e. Project OC-19) with a recognized revenue of RMB420.3 million for the year ended December 31, 2021.

Non-construction business

Revenue from our non-construction business segment increased by 52.4% from RMB726.9 million for the year ended December 31, 2020 to RMB1,107.8 million for the year ended December 31, 2021. Such increase was mainly due to (i) the increase of the PPP interest income from RMB77.8 million to RMB141.0 million as more PPP projects entered into operation; (ii) the increase of LNG sales by 48.5% from RMB172.6 million to RMB256.2 million as the LNG market has recovered, which is consistent with the understanding of Frost & Sullivan; and (iii) the increase of revenue from trading from RMB21.2 million to RMB148.0 million due to increase in sales of construction raw material.

Cost of sales, gross profit and gross profit margin

Our cost of sales increased by 32.2% from RMB8,720.5 million for the year ended December 31, 2020 to RMB11,530.4 million for the year ended December 31, 2021. The increase in our cost of sales was generally in line with the increase in revenue in the same period. The increase is mainly due to (i) the increase of machinery utilization costs from RMB567.8 million to RMB841.3 million as business continued to expand and grow; (ii) the increase in raw materials costs from RMB3,627.0 million to RMB5,897.6 million as there was an increase in the market price of raw materials such as steel, concrete, tower tube and photovoltaic modules and the increase in raw material required for our expansion of business; and (iii) the increase in labor costs from RMB1,859.2 million to RMB2,995.1 million due to our expanded business.

For the years ended December 31, 2020 and 2021, our gross profit was RMB1,428.1 million and RMB1,747.9 million, and our gross profit margin was 14.1% and 13.2%, respectively.

Specialized industrial construction

The cost of sales of our specialized industrial construction increased by 29.6% from RMB4,848.5 million for the year ended December 31, 2020 to RMB6,282.4 million for the year ended December 31, 2021. The increase in cost of sales from our specialized industrial construction segment was mainly due to (i) the corresponding increases in raw material required, such as threaded-steel, concrete and cement, for our expansion of business, which was generally in line with the increase in revenue of specialized industrial construction during the period; (ii) the increase in the raw material prices and (iii) the increase in labor cost.

For the years ended December 31, 2020 and 2021, gross profit of our specialized industrial construction segment was RMB573.2 million and RMB682.5 million, and segment gross profit margin was 10.6% and 9.8%, respectively.

Specialized auxiliary construction

The cost of sales of our specialized auxiliary construction increased by 20.2% from RMB2,267.5 million for the year ended December 31, 2020 to RMB2,725.5 million for the year ended December 31, 2021. The increase in cost of sales from our specialized auxiliary construction, mainly due to (i) the corresponding increase in raw material required for our specialized auxiliary projects, which was generally in line with the increase in segment revenue during the period; and (ii) increase in labor costs.

For the years ended December 31, 2020 and 2021, gross profit of our specialized auxiliary construction segment was RMB372.1 million and RMB392.8 million, and segment gross profit margin was 14.1% and 12.6%, respectively. Such decrease in gross profit margin was mainly due to the fact that (i) we undertook more projects with higher technical requirement, and thus with higher gross profit margin for the year ended December 31, 2020 compared to that for the year ended December 31, 2021; (ii) the increase in the raw material price; and (iii) the increase in labor costs, resulting in a decrease in our gross profit margin.

Other construction

The costs of sales from our other construction increased by 66.6% from RMB1,174.3 million for the year ended December 31, 2020 to RMB1,955.9 million for the year ended December 31, 2021. Such increase was mainly due to (i) the corresponding the increase in raw material required for our other construction projects, which was generally in line with the increase in revenue of other constructions during the period; (ii) the increase in the raw material price; and (iii) the increase in labor cost.

For the years ended December 31, 2020 and 2021, gross profit from our other construction segment was RMB186.3 million and RMB131.5 million, respectively, while the gross profit margin was 13.7% and 6.3%, respectively. The decrease in our gross profit margin is mainly due to increase in revenue from housing projects, resulting in a lower gross profit margin during the Track Record Period, as pricing of such projects is more competitive according to Frost & Sullivan.

Most of our top projects (in terms of revenue) in other construction segment for the year ended December 31, 2021 are livelihood projects. As a state-owned enterprise, we are obliged to fulfill our social responsibility and effectively play the role of state-owned economy in safeguarding people's livelihood and stabilizing growth, especially projects such as Taiyuan City Talent Apartment which helps the government to introduce talents and serve social and economic development, although the gross profit margin for such project is low, we still engaged in similar projects as the key projects of other construction to promote the implementation of such policies.

Non-construction business

The cost of sales from our non-construction business increased by 31.7% from RMB430.3 million for the year ended December 31, 2020 to RMB566.7 million for the year ended December 31, 2021. Such increase was generally in line with the increase in revenue of the non-construction business segment during the period.

For the years ended December 31, 2020 and 2021, gross profits from our non-construction business were RMB296.6 million and RMB541.2 million, respectively, while the gross profit margin were 40.8% and 48.8%, respectively. The increase in gross profit margin is mainly due to (i) increase in PPP interest as more PPP projects entered into operation; and (ii) the LNG market for the year ended December 31, 2021 has shown significant growth and much better performance than that of for the year ended December 31, 2020, resulting in a significant increase in gross profit and gross profit margin for LNG sales for the year ended December 31, 2021 as sales price of LNG increased significantly.

Other income and gains

Our other income and gains decrease by 62.2% from RMB120.4 million for the year ended December 31, 2020 to RMB45.6 million for the year ended December 31, 2021. The decrease was mainly attributable to (i) the decrease in interest income by 38.1% from RMB39.0 million for the year ended December 31, 2020 to RMB24.1 million for the year ended December 31, 2021, which was mainly due to principal recovery of loans from our associates in 2021; and (ii) there was no disposal of assets of disposal group classified as held for sale in 2021, thus the gain on disposal of assets of disposal group classified as held for sale decreased by RMB68.1 million from 2020. The reason for disposal of assets in 2020 was that Xishan Coal and Electricity (Group) Co., Ltd. (西山煤電(集團)有限責任公司) repurchased the assets held under two heat supply energy management projects awarded to us in 2015 and 2016 to abide with national policy.[Note]

Selling and distribution expenses

Our selling and distribution expenses increased from RMB0.4 million for the year ended December 31, 2020 to RMB1.0 million for the year ended December 31, 2021.

Administrative expenses and other operating expenses

Our administrative and other operating expenses increased by 29.7% from RMB846.2 million for the year ended December 31, 2020 to RMB1,097.8 million for the year ended December 31, 2021, mainly due to (i) our continuous research and development efforts, which led to an increase in relevant research and development costs. We engaged in several research and development projects in 2021 that requires significant research and development costs,

Note: Under the relevant contracts of the two heating supply projects, we were responsible for the procurement and installation of the heating facilities under both projects, and we were granted the rights to operate the relevant heating facilities for an agreed operation period after construction completion. Based on the terms and conditions of the relevant contracts for both heating supply projects, upon construction completion, the assets under the heating supply projects were owned by our Company, and upon fulfillment of the obligation under the operation period of the respective projects, we will transfer the relevant heating facilities back to Xishan Coal and Electricity (Group) Co., Ltd. at nil consideration. According to the unified requirements and deployment under the Guidance on the Separation and Transfer of Three Supply and One Service in the Residential Areas of State-owned Enterprise Employees (Guo Ban Fa No. 45 [2016]) (《國務院辦公廳轉發國務院國資委、財政部關於國有企業職工家屬區「三供一業」分離移交工作指導意見的通知》) issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the Ministry of Finance, separation and transfer of water supply, power supply and heat supply (gas supply) projects and property management service (collectively, "Three Supply and One Service") in the residential areas for employees of state-owned enterprises (including central government-owned enterprises and local state-owned enterprises) across the country shall be implemented from 2016. As specified in the document, it is required to carry out necessary maintenance and transformation of relevant equipment and facilities of "Three Supply and One Service" in the said employees' residential areas to reach the average level of urban infrastructure, and set up a meter for each household, charge fees by household, transfer those functions to specialized enterprises or institutions to operate under social management model. Since only specialized enterprises and institutions are qualified for holding the relevant projects, in order to comply with the aforesaid policies and guidelines, we have transferred the two heating supply projects in the residential areas back to Xishan Coal and Electricity (Group) Co., Ltd., which was the designated specialized enterprise to hold the relevant heating supply projects under the relevant policy. Upon the implementation of the Three Supply and One Service policy, the construction of the two heat supply energy management projects were completed and both projects under operation period, the operation period of the two projects were both 10 years. At the time when the projects were transferred to Xishan Coal and Electricity (Group) Co., Ltd., the remaining term of the operation periods of the projects were six years and seven years respectively. Save for the two heat supply energy management projects mentioned hereinabove, the management of the Company confirmed that during the Track Record Period and up to the Latest Practicable Date, no other projects of the Group falls within the scope of water supply, power supply and heat supply (gas supply) projects and property management service in the residential areas for employees of state-owned enterprises, and were required to be transferred under the Three Supply and One Service policy.

such as research on prefabricated pile construction technology for solar photovoltaic panels with a budget of RMB18.8 million; (ii) increase in employee benefits expenses as we adopted employee salary growth plans with an increase in average salary of 8.8%; and (iii) increase in depreciation expenses due to our additional building and structure fixed assets in 2021.

Finance costs

Our finance costs increased by 33.7% from RMB293.8 million for the year ended December 31, 2020 to RMB392.6 million for the year ended December 31, 2021, mainly due to the fact that some of our projects require capital investment in stages, and project financing obtained by us from various financial institutions continues to increase, resulting in an increase in the amount of our borrowings and interest expenses.

Share of losses of associates

For the year ended December 31, 2020, our share of losses of associates were RMB2.5 million, while for the year ended December 31, 2021, our share of losses of associates were RMB5.8 million.

Provision for expected credit losses on financial assets

Our expected credit loss provision on financial assets amounted to RMB57.8 million and RMB80.6 million for the years ended December 31, 2020 and 2021, respectively. This was primarily due to (i) the significant increase in our revenue in 2021 and the consequential increase in trade receivables and bills receivable; and (ii) the downward trend of the ageing profile of our trade receivables due to the extended collection progress resulted from the COVID-19 situation. As such, the expected credit losses on the balance of the trade receivables has increased in 2021, resulted in an addition of expected credit loss allowance to the trade receivables and such addition was charged to profit or loss as a provision for expected credit losses on financial assets for the year ended December 31, 2021.

Income tax expense

Our income tax expense decreased from RMB71.9 million for the year ended December 31, 2020 to RMB24.1 million for the year ended December 31, 2021, primarily due to the decrease in deferred income tax due to temporary differences in taxable amounts resulting from provisions and construction income from PPP projects, etc.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 33.4% from RMB282.2 million for the year ended December 31, 2020 to RMB188.0 million for the year ended December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital requirements through cash flows from operations and borrowings. Our primary liquidity requirements are to finance working capital, fund the payment of interest and principal due on our indebtedness, and growth of our operations. We expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Global Offering to finance a portion of our working capital requirements.

We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the level of our account payables and receivables as well as amounts of contract assets, receivables under service concession arrangements and contract liabilities; and (ii) our ability to obtain external financing. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedules, and if necessary, adjust our investment, financing and dividend payout plans to ensure we maintain sufficient working capital.

Taking into account the estimated net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), our available banking facilities and cash flows from our operations, our Directors are of the opinion that we have sufficient working capital to meet our financial requirements for at least the next 12 months from the date of this prospectus.

Consolidated Statement of Cash Flows

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

	For the year ended December 31,			For the six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash generated from operating activities	976,331	67,515	45,244	72,156	48,874
Net cash used in investing activities	(1,061,091)	(659,418)	(445,296)	(288,061)	(347,885)
Net cash generated from financing activities	16,671	817,668	740,365	511,848	615,236
Net increase/(decrease) in cash and cash equivalents	(68,089)	225,765	340,313	295,943	316,225
Cash and cash equivalents at the beginning of year/period	882,903	814,814	1,040,579	1,040,579	1,380,892
Cash and cash equivalents at the end of year/period	814,814	1,040,579	1,380,892	1,336,522	1,697,117

Net cash generated from operating activities

Cash flow from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as depreciation and amortization and impairment allowances; (ii) the effects of movements in working capital, such as changes in trade receivables and bills receivable, prepayments, deposits and other receivables, and inventories; and (iii) other cash items, such as income tax paid.

For the six months ended June 30, 2023, our net cash generated from operating activities was RMB48.9 million, and was derived primarily from the following amounts plus a profit before tax of RMB120.9 million including: (i) an increase in trade payables and bills payable of RMB370.4 million; (ii) an increase in other payables and accruals of RMB164.5 million, which was offset by (i) the decrease in contract liabilities of RMB455.4 million, (ii) the increase in contract assets of RMB345.7 million; and (iii) increase in inventories of RMB271.1 million.

For the year ended December 31, 2022, our net cash generated from operating activities was RMB45.2 million, and was derived primarily from the following amounts plus a profit before tax of RMB212.8 million (i) an increase in trade payables and bills payable of RMB1,576.1 million; (ii) an increase in contract liabilities of RMB758.9 million, which was partially offset by (i) the increase in contract assets of RMB1,445.0 million; and (ii) increase in trade receivables and bills receivable by RMB870.5 million.

For the year ended December 31, 2021, our net cash generated from operating activities was RMB67.5 million, and was derived primarily from the following amounts plus a profit before tax of RMB212.2 million (i) an increase in trade payables and bills payable of RMB2,750.0 million; and (ii) the increase in contract liabilities of RMB302.1 million, which was partially offset by (i) the increase in trade receivables and bills receivable of RMB1,285.1 million; and (ii) the increase in contract assets of RMB1,384.8 million. The increase in trade and bills receivables and payables was in line with the increase in business volume.

For the year ended December 31, 2020, our net cash generated from operating activities was RMB976.3 million, and was derived primarily from the following amounts plus a profit before tax of RMB354.2 million (i) the increase in other payables and accruals of RMB1,939.7 million; and (ii) the increase in trade payables and bills payable of RMB1,063.9 million, which was partially offset by (i) the increase in contract assets of RMB1,047.0 million; (ii) the increase in trade receivables and bills receivable of RMB941.8 million; and (iii) the decrease in contract liabilities of RMB298.3 million. The increase in trade and bills receivables and payables was in line with the increase in business volume.

Net cash used in investing activities

For the six months ended June 30, 2023, our net cash used in investing activities was RMB347.9 million, mainly including (i) the capitalized expenditure for purchase of service concession arrangements of RMB216.0 million; and (ii) increase in purchase of property, plant and equipment of RMB115.5 million.

For the year ended December 31, 2022, our net cash used in investing activities was RMB445.3 million, mainly including (i) the capitalized expenditures for purchase of service concession arrangements of RMB254.7 million; and (ii) substantial increase in investment in associates of RMB131.7 million.

For the year ended December 31, 2021, our net cash used in investing activities was RMB659.4 million, mainly including the capitalized expenditures for purchase of service concession arrangements of RMB519.0 million, and the purchase of property, plant and equipment of RMB149.5 million.

For the year ended December 31, 2020, our net cash used in investing activities was RMB1,061.1 million, mainly including the capitalized expenditures for purchase of service concession arrangements of RMB1,043.4 million.

Net cash generated from financing activities

For the six months ended June 30, 2023, our net cash generated from financing activities was RMB615.2 million, mainly including (i) the proceeds from interest-bearing bank borrowings and other borrowings of RMB1,874.4 million; and (ii) the proceeds from borrowings of RMB89.2 million from related parties. These cash inflows were partially offset by (i) the repayment of interest-bearing bank borrowings and other borrowings of RMB809.9 million; and (ii) the repayment of borrowings from related parties of RMB355.1 million.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB740.4 million, mainly including (i) the proceeds from interest-bearing bank borrowings and other borrowings of RMB2,648.3 million; and (ii) the proceeds from borrowings from related parties of RMB518.4 million. These cash inflows were partially offset by (i) the repayment of interest-bearing bank borrowings and other borrowings of RMB1,601.6 million; and (ii) the repayment of borrowings from related parties of RMB434.0 million.

For the year ended December 31, 2021, our net cash generated from financing activities was RMB817.7 million, mainly including (i) the proceeds from interest-bearing bank borrowings and other borrowings of RMB2,187.0 million; and (ii) the proceeds from borrowings from related parties of RMB862.8 million. These cash inflows were partially offset by (i) the repayment of interest-bearing bank borrowings and other borrowings of RMB1,327.9 million: and (ii) repayment of borrowings from related parties of RMB550.2 million.

For the year ended December 31, 2020, our net cash generated from financing activities was RMB16.7 million, mainly including the proceeds of interest-bearing bank borrowings and other borrowings of RMB1,638.8 million and proceed from borrowings from related parties of RMB153.4 million. These cash inflows were partially offset by the repayment of interest-bearing bank borrowings and other borrowings of RMB1,657.1 million.

Cash and cash equivalents

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, we had a net decrease in cash and cash equivalents of RMB68.1 million, a net increase in cash and cash equivalents of RMB225.8 million, a net increase in cash and cash equivalents of RMB340.3 million, and a net increase in cash and cash equivalents of RMB316.2 million, respectively. The fluctuation of the net increase/decrease in our cash and cash equivalents was mainly because it is typically in the construction industry that a substantial sum of construction expenses is paid at the early stage of the project, and the cash inflow occurred after the completion and acceptance of a project, therefore causing the mismatch of cash flow.

SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following consolidated statements of financial position as at the end of each year covered by the Track Record Period is extracted from the accountants' report set out in Appendix I to this prospectus:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	748,458	823,100	972,349	1,068,584
Investment properties	182,748	183,679	186,120	186,230
Right-of-use assets	119,657	173,774	170,662	186,363
Intangible assets	604	1,436	1,219	954
Goodwill	15,000	15,000	15,000	15,000
Contract assets	1,538,069	931,545	1,163,796	1,146,261
Receivables under service concession arrangements	969,838	2,104,580	2,405,701	2,475,562
Investments in associates	32,609	46,137	183,327	193,941
Other non-current assets	15,262	11,714	7,571	3,903
Deferred tax assets	43,018	63,955	100,064	107,760
Financial assets measured at FVOCI	135,441	122,692	138,813	139,803
	3,800,704	**4,477,612**	**5,344,622**	**5,524,361**
Current assets				
Inventories	154,971	141,622	146,240	417,324
Contract assets	1,772,362	3,744,227	5,168,704	5,528,445
Receivables under service concession arrangements	78,803	308,791	330,658	365,608
Properties under development	91,703	–	–	–
Trade receivables and bills receivable	4,345,030	5,549,574	6,371,366	6,188,411
Prepayments, deposits and other receivables	2,051,044	1,983,573	1,956,437	1,914,734
Restricted bank deposits	269,646	328,983	748,105	597,762
Cash and cash equivalents	814,814	1,040,579	1,380,892	1,697,117
	9,578,373	**13,097,349**	**16,102,402**	**16,709,401**

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Trade payables and bills payable	4,844,502	7,594,503	9,170,618	9,541,048
Contract liabilities	1,105,325	1,407,394	2,166,314	1,710,956
Employee benefits payable	50,620	60,041	81,096	80,625
Other payables and accruals	2,012,577	1,770,919	1,865,853	1,902,173
Short-term borrowings	954,804	1,550,582	2,201,325	2,984,022
Tax payable	32,753	15,808	32,704	19,730
Current portion of non-current liabilities	320,983	431,702	514,901	828,045
	9,321,564	**12,830,949**	**16,032,811**	**17,066,599**
Non-current liabilities				
Long-term payable	300,000	300,000	300,000	–
Long-term borrowings	1,832,557	2,285,492	2,687,191	2,692,764
Lease liabilities	70,213	68,329	66,300	70,733
Deferred income	–	–	23,000	21,954
Employee benefits payable	–	–	30,790	29,090
Deferred tax liabilities	70,660	76,118	74,012	72,690
	2,273,430	2,729,939	3,181,293	2,887,231
Net current assets/ (liabilities)	256,809	266,400	69,591	(357,198)
Net assets	**1,784,083**	**2,014,073**	**2,232,920**	**2,279,932**
Equity				
Share capital	800,000	1,000,000	1,000,000	1,000,000
Reserves	679,646	675,545	809,316	823,238
Equity attributable to equity holders of the Company	1,479,646	1,675,545	1,809,316	1,823,238
Non-controlling interests	304,437	338,528	423,604	456,694
Total equity	**1,784,083**	**2,014,073**	**2,232,920**	**2,279,932**

Property, plant and equipment

Property, plant and equipment mainly consist of fixed assets, construction in progress and other temporary facilities that are not current assets. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our property, plant and equipment amounted to approximately RMB748.4 million, RMB823.1 million, RMB972.3 million and RMB1,068.6 million, respectively.

Our property, plant and equipment increased from RMB972.3 million as of December 31, 2022 to RMB1,068.6 million as of June 30, 2023. The increase was mainly due to increase in construction in progress, including the increase in construction progress of the Chaha'er Youyi Houqi Heat-Power Generation concession project and the increase in construction progress in a solid waste recycling project in Xiaohe.

Our property, plant and equipment increased by 18.1% from RMB823.1 million as at December 31, 2021 to RMB972.3 million as at December 31, 2022. The increase was mainly due to the increase in construction in progress, including (i) the increase of RMB76.0 million in the construction in progress on the waste recycling project in Shanxi Transformation Comprehensive Reform Demonstration Zone Xiaohe Industrial Park of Shan'an Lide; and (ii) the increase of RMB111.9 million in energy management project under construction of Shan'an Deyu 160t/h CDQ and waste heat generation contract in the sum of RMB139.6 million.

Our property, plant and equipment increased by 10.0% from RMB748.4 million as of December 31, 2020 to RMB823.1 million as of December 31, 2021. The increase was mainly due to the combined effects of (i) the increase of RMB118.3 million in the construction in progress on the waste recycling project in Shanxi Transformation Comprehensive Reform Demonstration Zone Xiaohe Industrial Park of Shan'an Lide, (ii) the increase of RMB5.4 million in the construction of gas station at Xinshui Town in Ningyang, Shanxi; and (iii) the increase of RMB5.0 million in energy management project under construction of Shan'an Deyu 160t/h CDQ and waste heat generation contract, partially offset by the accrued depreciation of RMB92.5 million.

Investment properties

Our investment properties are mainly our properties held for generating rental income and/or for capital appreciation. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our investment properties amounted to RMB182.7 million, RMB183.7 million, RMB186.1 million and RMB186.2 million, respectively. The slight increase in each year is mainly due to the increase in fair value of investment properties at the end of each year during the Track Record Period.

Right-of-use assets

Our right-of-use assets are mainly our operating leasehold properties and land, as well as the land leased from our wholly-owned subsidiary, Gaoping Xinshiyangtian, and the pipeline network leased from our subsidiary, Shan'an Bluesky. Our right-of-use assets amounted to

RMB119.7 million, RMB173.8 million, RMB170.7 million and RMB186.4 million, as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Our right-of-use assets increased by RMB54.1 million from as of December 31, 2020 to as of December 31, 2021. The increase was mainly due to our acquisition of six pieces of land from Shanxi CIG. Our right-of-use assets decreased by RMB3.1 million from as of December 31, 2021 to as of December 31, 2022, which was mainly attributable to the depreciation of RMB9.3 million and partially offset by the addition of lease for our office during the year ended December 31, 2022. Our right-of-use assets increased from RMB170.7 million as of December 31, 2022 to RMB186.4 million as of June 30, 2023 as a result of entering into new leases by our subsidiaries for respective operation needs during the six months ended June 30, 2023.

Goodwill

Our goodwill of RMB15.0 million primarily resulted from the acquisition of 51% equity of Shanxi Ningyang Energy Co., Ltd. ("**Shanxi Ningyang**") from two independent third parties on April 3, 2018. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our goodwill amounted to RMB15.0 million, RMB15.0 million, RMB15.0 million and RMB15.0 million, respectively.

Our Company conducted impairment assessment of goodwill at the end of each of the years/period during Track Record Period by engaging independent professional valuers to evaluate the recoverable amount of the entire shareholders' equity interest of Shanxi Ningyang, and issued the asset evaluation reports. The value in use calculation is used for valuation of the recoverable amount. The assessment is based on the estimated cash flow forecast in the next 5 years based on the financial budget approved by our management. The terminal growth rate of the cash flow forecast adopted in the following years is 0% for prudence sake. The pre-tax discount rate adopted as of December 31, 2020, 2021 and 2022 and June 30, 2023 were 12.77%, 12.36%, 11.23% and 11.23%, respectively. Our management prepared the above financial budgets based on past performance and its expectations for market development. The present value of future cash flows reflects the risk relative to the segment concerned.

Based on the results of the impairment assessment of goodwill, the recoverable amounts of CGU of approximately RMB355.7 million, RMB419.0 million, RMB376.3 million and RMB276.9 million is greater than its carrying amounts of approximately RMB271.9 million, RMB265.0 million, RMB251.2 million and RMB244.7 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Based on the results of the impairment testing of goodwill, in the opinion of our management of the Group, no impairment provision is considered necessary for our Group's goodwill as of December 31, 2020, 2021 and 2022 and June 30, 2023. Our management believes that any reasonably possible changes to the key assumptions applied would not lead to impairment of goodwill as of December 31, 2020, 2021 and 2022 and June 30, 2023.

The sensitivity analysis as of December 31, 2020, 2021 and 2022 and June 30, 2023 set forth below has been determined based on the exposure to the pre-tax discount rate and five-year period growth rate, representing the key inputs to the determination of the recoverable amounts.

Our management performed the sensitivity analysis assuming the abovementioned key assumptions have been changed. Had the estimated key assumptions been changed as below, the headroom would be increased/(decreased) by:

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Five-year period growth rate increased by 2%	45,099	46,870	56,221	32,176
Five-year period growth rate decreased by 2%	(45,101)	(46,876)	(52,469)	(30,477)
Pre-tax discount rate decreased by 0.5%	11,758	16,311	16,771	11,843
Pre-tax discount rate increased by 0.5%	(10,927)	(15,073)	(15,354)	(10,846)

Financial Assets Measured at FVOCI

Our financial assets measured at FVOCI (non-recycling) mainly include our non-listed equity investments held for long-term strategic purposes. As of December 31, 2020, 2021, and 2022 and June 30, 2023, our financial assets measured at FVOCI were approximately RMB135.4 million, RMB122.7 million, RMB138.8 million and RMB139.8 million, respectively and were classified at level 3 fair value measurement. Our financial assets measured at FVOCI decreased by 9.4% from RMB135.4 million as of December 31, 2020 to RMB122.7 million as of December 31, 2021. The decrease was mainly attributable to the Group's disposal of equity interest Shanxi Jiantong Technology Company Limited (山西建通科技有限公司). Our financial assets measured at FVOCI increased by 13.1% from RMB122.7 million as of December 31, 2021 to RMB138.8 million as of December 31, 2022. This increase was mainly due to the increase in our investments in Shanxi Shuitou Biyuan Water Treatment Company Limited (山西水投碧源水處理有限公司), Shanxi Jiantou Decoration Industry Co., Ltd. (山西建投裝飾產業有限公司), Shanxi Jiantou South East Jin Construction Industry Co., Ltd. (山西建投晉東南建築產業有限公司). As of June 30, 2023, our financial assets measured at FVOCI slightly increased from RMB138.8 million to RMB139.8 million, such increase was in line with market fluctuation and within normal range. The fair value of these equity investments were evaluated and confirmed by a valuer independent from our Group.

Our management team had engaged independent valuers (the "**Valuers**") to determine the fair values of the financial assets at FVOCI measured at level 3 fair value measurement (the "**Valuation**").

In respect of the assessment of fair value of the equity investments, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have undertaken the following key actions: (i) considering available information in assessing the financial forecast and assumptions including but not limited to the historical financial performance, market prospects, comparable companies' conditions, economic, political and industry conditions; (ii) engaging the Valuers to assist our management to assess the fair value; (iii) considering the independence, reputation, capabilities and objectivity of the Valuers to ensure the suitability of such Valuers; (iv) reviewing and discussing with our management and the Valuers on the valuation models and approaches; and (v) reviewing the valuation work papers and results prepared by the Valuers. Valuation techniques are verified by the independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. In respect of the Valuation of our equity investments, details and the quantitative information about the significant unobservable inputs used in level 3 fair value measurements are set forth in Notes 25 and 51 to the Accountants' Report set out in Appendix I to this prospectus.

The Reporting Accountants has carried out necessary audit works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group's historical financial information for the Track Record Period as a whole in Appendix I to this prospectus. The Reporting Accountants' opinion on the historical financial information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

The Joint Sponsors have conducted relevant due diligence work, including (i) obtaining information on the credentials of the Valuers and the background, qualifications and work experience of its core team members; (ii) obtaining and reviewing the valuation reports issued by the Valuers; (iii) understanding from the Valuers the key basis and assumptions for the Valuation of financial assets categorized as level 3 fair value measurements; (iv) reviewing relevant notes in the Accountants' Report as contained in Appendix I to this prospectus; and (v) understanding from the management of the Company and the Reporting Accountants the work they have performed in relation to the valuation of the level 3 financial instruments for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole. Having considered the work done by the management of the Company and the Reporting Accountants, and the relevant due diligence work done as stated above, nothing material has come to the Joint Sponsors' attention that indicates that the management of the Company have not undertaken sufficient investigation and due diligence, or that the Company management's reliance on the work products of the Valuers is unreasonable.

NET CURRENT ASSETS/(LIABILITIES)

As of December 31, 2020, 2021, 2022, June 30, 2023 and September 30, 2023, we had net current assets of RMB256.8 million, RMB266.4 million, RMB69.6 million, net current liabilities of RMB357.2 million and RMB605.3 million, respectively.

The following table sets forth our current assets, current liabilities and net current assets/(liabilities) as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Inventories	154,971	141,622	146,240	417,324	813,278
Contract assets	1,772,362	3,744,227	5,168,704	5,528,445	6,153,543
Receivables under service concession arrangements	78,803	308,791	330,658	365,608	380,707
Properties under development	91,703	–	–	–	–
Trade receivables and bills receivable	4,345,030	5,549,574	6,371,366	6,188,411	5,712,383
Prepayments, deposits and other receivables	2,051,044	1,983,573	1,956,437	1,914,734	1,629,759
Restricted bank deposits	269,646	328,983	748,105	597,762	726,097
Cash and cash equivalents	814,814	1,040,579	1,380,892	1,697,117	1,101,873
Total current assets	9,578,373	13,097,349	16,102,402	16,709,401	16,517,640
Trade payables and bills payable	4,844,502	7,594,503	9,170,618	9,541,048	9,978,655
Contract liabilities	1,105,325	1,407,394	2,166,314	1,710,956	2,013,433
Employee benefits payable	50,620	60,041	81,096	80,625	83,527
Other payables and accruals	2,012,577	1,770,919	1,865,853	1,902,173	1,896,714
Short-term borrowings	954,804	1,550,582	2,201,325	2,984,022	2,339,986
Tax payable	32,753	15,808	32,704	19,730	36,006
Current portion of non-current liabilities	320,983	431,702	514,901	828,045	774,673
Total current liabilities	9,321,564	12,830,949	16,032,811	17,066,599	17,122,994
Net current assets/(liabilities)	256,809	266,400	69,591	(357,198)	(605,354)

Our net current assets decreased from RMB69.6 million as of December 31, 2022 to a net current liabilities of RMB357.2 million as of June 30, 2023, which was mainly due to the increase in our short-term borrowings by RMB782.7 million from RMB2,201.3 million as of December 31, 2022 to RMB2,984.0 million and an increase in our trade payables and bills payable by RMB370.4 million from RMB9,170.6 million as of December 31, 2022 to RMB9,541.0 million.

Our net current liabilities as of June 30, 2023 further decreased from RMB357.2 million to RMB605.4 million as of September 30, 2023, mainly due to RMB285.0 million decrease in prepayments, deposits and other receivables.

Our net current assets decreased from RMB266.4 million as of December 31, 2021 to RMB69.6 million as of December 31, 2022, which was mainly due to the increase in trade payables and bill payable by RMB1,576.1 million, increase in contract liabilities by RMB758.9 million and increase in short-term borrowings by RMB650.7 million, which was partially offset by the increase in contract assets by RMB1,424.5 million, increase in trade receivables and bills receivable by RMB821.8 million and increase in restricted bank deposits by RMB419.1 million.

Our net current assets increased from RMB256.8 million as of December 31, 2020 to RMB266.4 million as of December 31, 2021, which was mainly due to the increase in contract assets of RMB1,971.9 million, the increase in trade receivables and bills receivable of RMB1,204.5 million, the decrease in other payables and accruals of RMB241.7 million, which was partially offset by the increase in trade payables and bills payable of RMB2,750.0 million, the increase in contract liabilities of RMB302.1 million, and the increase in short-term borrowings of RMB595.8 million.

To improve our net current liabilities position, we will continue to review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position. We seek to improve our operating cash flow through (i) focusing on quality projects to enhance our profitability; (ii) to continue to maintain effective cost control measures and regularly review the progress of recovery of our trade receivables and (iii) to restructure our short-term and long-term borrowings portfolio, thereby reducing our current liabilities. We seek to continue to engage in quality infrastructure and new energy projects/opportunities in regions/areas which are established/fast-growing. We seek to secure quality private sector projects. As confirmed by Frost & Sullivan, the private sector is trending towards the operation model that integrates investment, construction and operation. Private entities seek to cooperate with other private entities in investing in and building privately-owned facilities and generate profit through the operation of such facilities. We seek for market opportunities through the aforementioned operation model and will seek to further cultivate our new energy segment business through this model. Through such initiative, we expect to generate more revenue from these quality projects, thereby enhancing our profitability.

On the other hand, we also adopted various measures since the commencement of the second half of 2022 to further enhance our cashflow management, including continuing to strengthen our overall budgetary management, and control expenditures in fixed assets investment, equity investment and infrastructure investment in a targeted manner, keeping a close eye on the management of trade receivables by having a team of personnel specializing in and responsible for the confirmation, reconciliation and recovery of trade receivables and follow up on the payment status of trade receivables due from customers.

In addition, we expect to receive the net proceeds from the Global Offering, which the Directors believe will help to further improve our net current liabilities position. For further details of the measures adopted to improve our financial position, please refer to the section headed "Business – Business Sustainability" of this prospectus.

Inventories

Our inventories consist of raw materials and finished goods, which mainly consisted of raw materials for our operation, LNG and partition walls, etc. The following table sets forth details of our inventories as of the dates indicated:

	As of December 31,			**As of June 30,**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	117,099	116,028	137,128	406,848
Finished goods	37,872	25,594	9,112	10,476
Total	**154,971**	**141,622**	**146,240**	**417,324**

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our inventory balance was RMB155.0 million, RMB141.6 million, RMB146.2 million and RMB417.3 million, respectively. The decrease in our inventory balance as of December 31, 2021 when compared to that of 2020 was mainly attributable to the fact that there was a delay in construction progress due to the outbreak of COVID-19 pandemic in 2020, and as a result, the raw materials such as wind turbines and towers we purchased for the new energy projects could not be discharged from the warehouse and caused accumulation of inventories; while in 2021, with the situation mitigating, the wind power projects resumed with a large amount of raw materials discharged from the warehouse. As of December 31, 2022, our inventories increased by RMB4.6 million, representing a year-on-year increase of 3.3% when comparing with that as of December 31, 2021. Such increase is primarily attributable to (i) the commencement of heating supply in the Chaha'er Youyi Houqi Heat-Power Generation concession project has led to the increase in our stock in thermal coal to ensure stable heating supply, our stock of which has accounted for RMB15.4 million of our inventories of raw materials as of December 31, 2022; and (ii) the procurement of contour plate in the sum of RMB3.1 million for our relocation construction project in Hebei, thereby resulting in an increase in our inventories as of December 31, 2022. Such increase was partially offset by the decrease in finished goods in the sum of RMB16.5 million, which was mainly attributable to the utilization of our pavement modules and aluminum mold as part of our inventories as of December 31, 2021. As of June 30, 2023, our inventories increased by RMB271.1 million from RMB146.2 million as of December 31, 2022 to RMB417.3 million, representing an increase of 185.4%. The reason for such increase was because of our seasonality of our business operation which our Group had increased stock for inventories, in particular construction raw materials to prepare for the construction works in the second half of the year.

The following table sets forth the aging analysis of our inventories:

	As of December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Raw materials				
– Within 1 year	86,944	88,057	75,552	310,527
– 1-2 years	3,958	5,017	61,390	94,377
– 2-3 years	26,197	1,510	2	1,847
– 3 year or above	–	21,444	184	97
Sub-total:	117,099	116,028	137,128	406,848
Finished goods				
– Within 1 year	5,579	25,454	7,301	6,676
– 1-2 years	14	140	1,811	2,305
– 2-3 years	32,279	–	–	1,495
Sub-total:	37,872	25,594	9,112	10,476
Total:	**154,971**	**141,622**	**146,240**	**417,324**

As of the Latest Practicable Date, RMB323.0 million representing 77.4% of our inventories as of June 30, 2023 have been utilized.

The following table sets forth the average inventory turnover days for the periods indicated:

	For the Year ended December 31,			For the six months ended June 30,
	2020	2021	2022	2023
Inventory turnover days[(1)]	6	5	5	11

(1) Inventory turnover days for the Track Record Period is calculated based on the average of the beginning and ending balances of inventory for that period divided by cost of sales for that period and then multiplying by 365 days for the years ended December 31, 2020, 2021 and 2022 and 181 days for the six months ended June 30, 2023.

The majority of our revenue derives from our specialized industrial construction business, which is different from manufacturing business, particularly in terms of the low inventory levels we maintain. Therefore, inventory turnover days are not indicative of our operations and are excluded from our analysis.

Trade receivables and bills receivable

Our trade receivables and bills receivable mainly represent the credit sales of our products or services to be paid by our customers. The following table sets forth details of our trade receivables and bills receivable as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	4,200,013	5,494,045	6,377,191	6,250,184
Expected credit losses	(179,061)	(254,612)	(302,072)	(340,405)
Trade receivables, net	4,020,952	5,239,433	6,075,119	5,909,779
Bills receivable	325,293	312,036	299,367	280,930
Expected credit losses	(1,215)	(1,895)	(3,120)	(2,298)
Bills receivable, net	324,078	310,141	296,247	278,632
Total	4,345,030	5,549,574	6,371,366	6,188,411

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our trade receivables and bills receivable amounted RMB4,345.0 million, RMB5,549.6 million, RMB6,371.4 million and RMB6,188.4 million, respectively.

The following is an aging analysis of trade receivables (based on invoice date) and bills receivable (based on bills receipt date) (net of expected credit losses):

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,174,186	3,991,906	4,676,720	3,587,277
1 to 2 years	682,967	938,598	1,032,153	1,622,206
2 to 3 years	341,061	357,775	396,423	468,520
3 to 4 years	87,720	214,366	209,197	390,609
4 to 5 years	59,096	46,929	56,873	119,799
Total	4,345,030	5,549,574	6,371,366	6,188,411

We have made provisions for the impairment of certain long overdue trade receivables and bills receivable in order to ensure the quality of our assets. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our aggregate expected credit losses of trade receivables amounted to RMB179.1 million, RMB254.6 million, RMB302.1 million and RMB340.4 million, representing 4.3%, 4.6%, 4.7% and 5.4% of the aggregate amount of our trade receivables, respectively. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our aggregate expected credit losses of bill receivables amounted to RMB1.2 million, RMB1.9 million, RMB3.1 million and RMB2.3 million, representing 0.4%, 0.6%, 1.0% and 0.8% of the aggregate amount of our bills receivable, respectively.

The following table sets forth an ageing breakdown and subsequent settlement of trade receivables and bills receivable by state-owned and non-state-owned customers for the year indicated (net of expected credit losses):

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
State-owned customers				
– Within 1 year	1,494,658	2,100,757	2,910,590	1,950,254
– 1-2 years	344,669	493,081	579,432	1,108,139
– 2-3 years	250,498	242,425	313,338	301,564
– 3-4 years	32,753	193,156	104,244	279,825
– 4-5 years	25,355	17,617	41,268	86,343
	2,147,933	3,047,036	3,948,872	3,726,125

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-state-owned customers				
– Within 1 year	1,355,450	1,581,008	1,469,883	1,358,390
– 1-2 years	338,298	445,517	452,721	514,068
– 2-3 years	90,563	115,350	83,085	166,956
– 3-4 years	54,967	21,210	104,953	110,784
– 4-5 years	33,741	29,312	15,605	33,456
	1,873,019	2,192,397	2,126,247	2,183,654
Trade receivables	4,020,952	5,239,433	6,075,119	5,909,779
Bills receivable	324,078	310,141	296,247	278,632
Total	4,345,030	5,549,574	6,371,366	6,188,411

	Net carrying amount as of June 30, 2023	Subsequent settlement up to the Latest Practicable Date
	RMB'000	*RMB'000*
State-owned customers		
– Within 1 year	1,950,254	1,022,052
– 1-2 years	1,108,139	593,849
– 2-3 years	301,564	105,435
– 3-4 years	279,825	227,556
– 4-5 years	86,343	67,777
– Over 5 years *(Note)*	–	4,894
	3,726,125	2,021,563
Non-state-owned customers		
– Within 1 year	1,358,390	807,850
– 1-2 years	514,068	241,776
– 2-3 years	166,956	130,803
– 3-4 years	110,784	13,267
– 4-5 years	33,456	24,714
– Over 5 years *(Note)*	–	200
	2,183,654	1,218,610
Trade receivables	5,909,779	3,240,173

Note: The Group's trade receivables with nil net carrying amount as of June 30, 2023 because the net carrying amount is net of the expected credit loss allowance, which has been fully impaired. Nevertheless, such trade receivable has been subsequently settled after Track Record Period.

As of the Latest Practicable Date, RMB3,240.2 million representing 54.8% of our trade receivables as of June 30, 2023 have been received.

Our trade receivables aged for over two years amounted to approximately RMB662.5 million as of December 31, 2022 and approximately RMB978.9 million as of June 30, 2023. Such receivables resulted from constructions/services we provided for projects that are of regional/national developmental relevance, but of which, for various reasons, our counterparties are not able to settle the sum owed in time. The deteriorating aging and low settlement of our trade receivables was mainly due to an increase in long-aged trade receivables remains outstanding. According to the aging profile, when compared December 31, 2022 with June 30, 2023, there is a general increase in the trade receivables outstanding balance for each age-band from two years onwards, whereas the total trade receivables balance remains relatively stable. This has reflected a situation where long-aged trade receivables remains outstanding, and at the same time non-aged trade receivables were relatively effectively settled.

In view of the deteriorating aging profile, our Group has enhanced our efforts in collection of trade receivables, including engaging third-party debt collectors, liaising with debtors to settle the receivables by instalments. In the event that there is sufficient evidence demonstrating that the relevant outstanding receivables cannot be settled or we cannot identify any other recoverability means, our Group would seek legal advice to consider taking appropriate legal actions, including but not limited to issue legal letters to initiate legal proceedings.

As we see supporting the regional/national development as part of our social responsibility, we provided the construction/services while amounts outstanding for these projects remain outstanding, and having performed the assessment under the expected credit loss model, the management of our Group considered that, among others, (i) the background of the relevant customers; (ii) we generally have longer-term relationship with such counterparties; (iii) we are not aware of any news of these customers that might adversely affect the recoverability of these trade receivables and the position of the expected credit loss allowance; and (iv) these customers do not have any default payment history, we expect to collect such receivables. As such, we generally provide expected credit loss allowance based on the age band of the respective trade receivables, and we did not and do not intend to write-off such outstanding amounts in the near term. For details of the average expected credit loss rates applied to trade receivables under various age band, please refer to "Net Current Assets – trade receivables and bills receivable – trade receivables" in this section. We closely monitor our receivables aged over two years and seek to collect such receivables as soon as feasible.

Our Group shall recognize a loss allowance, calculated by applying the ECL Model, for financial assets carried at amortized cost under IFRS 9. At each of the periods of the Track Record Period, our Group shall measure the loss allowance for a financial instrument at an amount equal to 12-months of ECL. A loss allowance equal to lifetime ECLs will be recognized if the credit risk on that financial instrument has increased significantly since it was initially recognized. To make that assessment to determining significant increases in credit risk, our Group shall compare the risk of a default occurring on the financial instrument as at the end of each of the period of the Track Record Period with that as at the date of initial recognition and consider reasonable and supporting information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Trade receivables

The following table is an aging analysis of the net carrying amount of the trade receivables (based on invoice date) together with the expected credit loss rate during the Track Record Period:

	As of December 31,						As of June 30,	
	2020		2021		2022		2023	
	Trade receivables	Expected credit loss rate	Trade receivables	Expected credit loss rate	Trade receivables	Expected credit loss rate	Trade receivables	Expected credit loss rate
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Within 1 year	2,850,108	0.45%	3,681,765	0.75%	4,380,473	1.20%	3,308,645	1.13%
1 to 2 years	682,967	2.92%	938,598	2.36%	1,032,153	3.96%	1,622,206	3.05%
2 to 3 years	341,061	11.18%	357,775	7.24%	396,423	7.17%	468,520	6.01%
3 to 4 years	87,720	15.68%	214,366	19.98%	209,197	15.17%	390,609	10.21%
4 to 5 years	59,096	12.63%	46,929	29.43%	56,873	40.30%	119,799	22.61%
Over 5 years	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Total	**4,020,952**	**4.26%**	**5,239,433**	**4.63%**	**6,075,119**	**4.74%**	**5,909,779**	**5.45%**

Our Group applied a simplified approach for the impairment assessment of trade receivables. The management of our Group developed the ECL model to calculate the lifetime ECLs by establishing a provision matrix, which is set as below:

In devising a provision matrix, our Group observes the historical loss pattern of customers across the different industries based on then respective experience and historical trend at the end of each period of the Track Record Period to determine the relationship between the age of trade receivables and the risk of non-payment. A fixed expected loss rates are applied on trade receivables depending on its age bands.

In addition, the Group assesses expected credit losses for trade receivables, bills receivable, contract assets and receivable under service concession arrangements based on provision matrix, and the expected loss rates are based on the historical settlement experience as well as the corresponding historical credit losses. The Group considered the contract assets and receivable under service concession arrangements share the similar risk profile with the corresponding trade receivables of the same project and apply the expected loss rate of corresponding trade receivables as proxy to derive at the expected loss rate of the contract assets and receivable under service concession arrangements.

Historical loss rate

Our Group summarizes the trade receivables into appropriate age bands for the last 36 months (the historical back-testing dates) to calculate the historical loss rate representing the percentage of trade receivables in each age band that was ultimately written off. In calculating the average historical loss rate of the each age band, our Group applies a roll rates on each age band which represents the percentage of trade receivables that are not received in the age band and rolled to the next time band and ultimately written-off.

In determining trade receivables that are ultimately written off, our Group considers that the trade receivables is credit-impaired or has no reasonable expectation of recovery when one or more events of default that bear a detrimental impact on the estimated future cash flows of that financial asset have occurred including but not limited to:

(a) significant financial difficulty of the customer;

(b) a breach of contract, such as a default or past due event;

(c) it is becoming probable that the customer will enter into bankruptcy or other financial reorganization; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

The roll rate on each age band is carefully considered, taking into account, among others, (i) the historical loss pattern based on actual settlement record of the customers; (ii) historical amount of bad debt written off from the trade receivables (if any); (iii) the percentage of trade receivable balances in one age band rolled to the next age band; (iv) the relevant credit rating, background and existence of any negative news affecting the credibility of an individual customer; and (v) other forward looking macroeconomic factors.

Forward looking adjustment

Our Group adjust the historical loss rate taking into account forward looking factors. Our Group has applied multiple factor regression model for determine the forward looking factors adjustment. The adjustment determined by the multiple factor regression model is significantly affected by the COVID-19 pandemic and some significant changes in the market indexes during the Track Record Period, the current market conditions and future economic environment. The macro-economic factors include the GDP Price Index, construction industrial index and Money Supply data in the PRC are considered relevant in calculating the adjustment as most of the customers and projects are carried out in the PRC.

According to the ECL Model, the ECL allowance of the Group for trade receivables of RMB179.1 million, RMB254.6 million, RMB302.1 million and RMB340.4 million was recognized as at each of December 31, 2020, 2021 and 2022 and June 30, 2023.

As at December 31, 2021, we recorded a high expected credit loss rate for the age bands of 2 to 3 years, 3 to 4 years and 4 to 5 years of 7.24%, 19.98% and 29.43%, respectively, which is because one of our non-state-owned customers (**"Non-SOC B"**) had filed for debt restructuring and was approved by the court in 2021. After assessment by the recoverability of the aggregate trade receivables balance of RMB41.1 million (with an age of 2 to 3 years: RMB10.1 million; with an age of 3 to 4 years: RMB22.6 million; and with an age of 4 to 5 years: RMB8.4 million) from the Non-SOC B was fully impaired. The relevant balances from Non-SOC B had not been settled as of December 31, 2022 and thus the balance of RMB10.01 million under the age bands of 2 to 3 years, the balance of RMB22.6 million under the age bands of 3 to 4 years and the balance of RMB8.4 million under the age bands of 4 to 5 years as at December 31, 2021 had been rolled over to the next age band as at December 31, 2022, which had an effect of the rolled rate applied to the relevant age band. As a result of the above, the expected credit loss rate of 19.98% under the age band of 3 to 4 years as at December 31, 2021 is higher than that of 15.17% recorded as at December 31, 2022 and the expected credit loss rate of 29.43% under the age band of 4 to 5 years as at December 31, 2021 is lower than that of 40.30% recorded as at December 31, 2022. Meanwhile, the Group has performed the individual assessment under the ECL Model and considered that there is no significant increase in credit risk on its customer since initial recognition for the ageing balance under the age bands of 2 to 3 years, 3 to 4 years and 4 to 5 years as at December 31, 2022.

The gross balance of trade receivables aged over two years for state-owned customers of the Group as of December 31, 2022 amounted to RMB545.7 million, and our Group have applied the average ECL rates of 7.17%, 11.54%, 21.77% and 100.00% under the age bands of 2-3 years, 3-4 years, 4-5 years and over 5 years, respectively. Deducting (i) the aggregate ECL allowance of RMB86.9 million for trade receivables aged over two years for the state-owned customers of the Group as of December 31, 2022; and (ii) the aggregate balance of the subsequent settlement of RMB327.6 million up to May 21, 2023, the net exposure (being the net carrying amount remained outstanding) of the trade receivables aged over two years of the state-owned customers of the Group as of December 31, 2022 was RMB148.7 million.

The gross balance of trade receivables aged over two years of the non-state-owned customers of our Group as of December 31, 2022 amounted to RMB323.2 million. We applied the average ECL rates of 7.17%, 18.48%, 63.29% and 100.00% under the age bands of 2-3 years, 3-4 years, 4-5 years and over 5 years respectively for these non-state-owned customers. Deducting (i) the aggregate ECL allowance of RMB119.5 million for trade receivables aged over two years for the non-state-owned customers of the Group as of December 31, 2022; and (ii) the aggregate balance of the subsequent settlement of RMB55.0 million up to May 21, 2023, the net exposure of the trade receivables aged over two years of the non-state-owned customers of the Group as of December 31, 2022 was RMB150.3 million.

The gross balance of trade receivables aged over two years for state-owned customers of our Group as of June 30, 2023 amounted to RMB667.8 million, and our Group have applied the average ECL rates of 6.0%, 10.2%, 17.2% and 100.00% under the age bands of 2-3 years, 3-4 years, 4-5 years and over 5 years, respectively. Deducting (i) the aggregate ECL allowance of RMB120.6 million for trade receivables aged over two years for the state-owned customers of the Group as of June 30, 2023; and (ii) the aggregate balance of the subsequent settlement of trade receivables aged over two years of RMB178.0 million up to August 31, 2023, the net exposure (being the net carrying amount remained outstanding) of the trade receivables aged over two years of the state-owned customers of the Group as of June 30, 2023 was RMB489.7 million.

The gross balance of trade receivables aged over two years of the non-state-owned customers of our Group as of June 30, 2023 amounted to RMB311.2 million. We applied the average ECL rates of 6.0%, 10.1%, 33.8% and 100.00% under the age bands of 2-3 years, 3-4 years, 4-5 years and over 5 years respectively for these non-state-owned customers. Deducting (i) the aggregate ECL allowance of RMB130.1 million for trade receivables aged over two years for the non-state-owned customers of the Group as of June 30, 2023; and (ii) the aggregate balance of the subsequent settlement of RMB10.2 million up to August 31, 2023, the net exposure of the trade receivables aged over two years of the non-state-owned customers of the Group as of June 30, 2023 was RMB301.0 million.

In particular, based on the facts that:

(a) as of the Latest Practicable Date, RMB574.6 million of trade receivables aged over two years as of June 30, 2023 have been received representing 58.7% of our carrying amount aged over two years as of June 30, 2023; and

(b) in relation to the trade receivables from non-state-owned customers under the age band of 3-4 years and 4-5 years, the net carrying amount of such age band as of June 30, 2023 was RMB110.8 million and RMB33.5 million respectively, and the subsequent settlement up to the Latest Practicable Date was RMB13.3 million and RMB24.7 million respectively, representing 12.0% and 73.9% of the respective net carrying amount. Despite the minimal recovery rate of the trade receivables of 3-4 years and 4-5 years age bands, our management is of the view that there is no recoverability issue in this regard as the trade receivables of this age band primarily comprises the receivables under certain construction contracts with a customer of the Group, pursuant to which, the Group had undertaken to conduct construction work for such customer. While the Group had completed its obligation under the contract, the customer had not fulfilled its payment obligation.

In or around August 2021, the Group had made a petition to the Intermediate People's Court of Taiyuan, praying for, among others, (i) the rescission of the contract and other supplemental contract thereto; and (ii) the payment of approximately RMB75.5 million and interests from the aforementioned customer in respect of the construction work done by the Group. In December 2021, the court had given a judgment in favour of the Group and had ordered the aforementioned customer to pay the Group an amount of approximately RMB75.5 million with interests (the "**Judgment Sum**"). As at the Latest Practicable Date, the judgment is being enforced and the court had proposed that the Judgment Sum shall be satisfied by the proceeds from a bidding of the aforementioned customer's assets. Based on a valuation report prepared by a valuer who is independent from the Group, as of December 31, 2022, the market value of the assets being the subject of the bidding was estimated at RMB616.4 million, which is approximately eight times of the Judgment Sum. As such, the Company is of the view that there are no material difficulties in the recovery of such trade receivables. Our Company has inquired with the court and was informed that the court is currently undergoing the administrative procedures for the bidding of the said customer's assets, and it is expected that our Company will be able to recover the Judgment Sum in approximately one year from the commencement of the bidding.

Our Company performed assessment under the ECL model and our management considered a number of factors including, inter alia, (i) the background of the relevant customers; (ii) the duration of relationship with the respective customers; (iii) the Group is not aware of any news of these customers that might adversely affect the recoverability of these trade receivables and the position of the ECL allowance; and (iv) these state-owned and non-state-owned customers did not have any default payment history that might adversely affect the position of the ECL allowance, and we expect to collect such receivables in future.

Having taken into account the above factors, the Directors are of the view, and the Joint Sponsors concurred with the Directors' view, that the Group's aggregate ECL allowance for the trade receivables aged over two years as of June 30, 2023 was sufficient.

The management of our Company is of the view that the low subsequent settlement rate of our trade receivables was mainly caused by (i) the COVID-19 outbreak, which led to a delay in progress on receipt of government subsidies, project-specific loans and/or special debt funding by the relevant customers which often require joint audits and on-site communication with government departments and in turn, had delayed the settlement progress of the Group's receivables; (ii) due to the nature of the construction industry, most of our projects were subject to completion audit, which is an industry practice for the certification of revenue and costs, and the progress of settlement of the Company's trade receivables may be prolonged as a result of delay in completion and/or settlement audit due to various reasons such as negotiations between the parties and progress of the audit. Accordingly, our subsequent settlement rate will be hindered as the timing of settlement would be held up.

In light of the fact that: (i) the diminishing impact of the COVID-19 pandemic in the business operation across the nation in general; (ii) the management of our Company have conducted a review and assessment of our ECL model taking into account of the background, payment history of and our business relationship with the relevant customers in our trade receivables portfolio, and have concluded that our current ECL model is sufficient to address the relevant loss allowance; and (iii) conducting completion audit is in line with the industry practice; the management of the Company is of the view that there is no recoverability issue in respect of our trade receivables.

Contract assets and receivables under service concession arrangements

Contract assets represent the services provided to the customers (i.e. the right to consideration in exchange for services has transferred to the customer) and recognized as revenue, but some conditions are yet to be fulfilled, including achievement of the agreed payment schedule as stated in the contracts with the customers. Our Group would reclassify from contract assets to receivables under service concession arrangements when PPP projects are under operation phase, which is contingent on our Group ensuring that the facilities meet specified requirements. Our Group considered the contract assets and receivables under service concession arrangements share the similar risk profile with the corresponding trade receivables of the same project and apply the expected loss rate of corresponding trade receivables as proxy to derive at the expected loss rate of the contract asset.

Accordingly, the ECL allowances of the Group for contract assets of RMB14.1 million, RMB33.5 million, RMB76.5 million and RMB80.0 million and receivables under service concession arrangements of RMB4.5 million, RMB17.3 million, RMB32.7 million and RMB34.0 million were recognized as at each of December 31, 2020, 2021 and 2022 and June 30, 2023.

ECL allowance for other financial assets at amortized cost

Other receivables

Measurement of the 12-months ECLs or lifetime ECLs of other receivables is determined by a probability-weighted estimate of credit losses over the expected life time of the other receivables. In calculating the ECLs for other receivables, the management of the Group would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as external information and makes adjustment based on the weighted probability of forward-looking information including operating default rate of the debtors.

Accordingly, the ECL allowance of the Group for other receivables of RMB21.9 million, RMB26.2 million, RMB37.5 million and RMB44.1 million has recognized as at each of December 31, 2020, 2021 and 2022 and June 30, 2023.

Restricted bank deposits and cash and cash equivalents

The credit risk for restricted bank deposits and cash and cash equivalents is considered to be immaterial, as the counterparts are banks/financial institutions with high credit ratings by international credit rating agencies.

Bills receivable

Our Group's exposure to credit risk arising from bills receivable is limited because the counterparties are mainly banks and financial institutions with sound credit ratings, for which our Group considers them to have low credit risk. By further considering our Group has received commercial acceptance bills from some large corporates in the PRC, given the bill receivables share similar risk profile with the corresponding trade receivables of the same project, the Group has considered the ECL allowance shall apply the expected loss rate within 1 year of trade receivables as proxy to derive at the expected loss rate of the bill receivables as most of the bills receivable would be released within 1 year.

Accordingly, the ECL allowance of the Group for bills receivable of RMB1.2 million, RMB1.9 million, RMB3.1 million and RMB2.3 million was recognized as at December 31, 2020, 2021 and 2022 and June 30, 2023.

Financial guarantee contracts

For financial guarantee contracts, the date that our Group become a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. Our Group have considered the changes in the risk that the specified debtor will default on the contract. Given the low default rate and sound financial condition of relevant related parties, the Directors are of the view that the fair value of these financial guarantee contracts at initial recognition and at the end of each period of the Track Record Period is insignificant.

Based on the above, the Directors are of the view, which the Joint Sponsors concur, that the provision is sufficient by considering the above ECL Model and no further impairment is necessary.

The following table sets forth the turnover days of our trade and bills receivables (excluding retention fee) for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2020	**2021**	**2022**	**2023**
Turnover days of our trade receivables and bills receivable[(1)]	140	136	169	217

(1) Turnover days of our trade receivables and bills receivable for the Track Record Period is calculated based on the average of the beginning and ending balances of our trade receivables and other bills receivable (excluding the balances of retentions (current portion)) for that period divided by revenue for that period and multiplied by 365 days in 2020, 2021, and 2022 and 181 days in the six months ended June 30, 2023.

Turnover days of our trade receivables and bill receivable decreased from 140 days for the year ended December 31, 2020 to 136 days for the year ended December 31, 2021. Turnover days of our trade receivables and bills receivable increased from 136 days for the year ended December 31, 2021 to 169 days for the year ended December 31, 2022, mainly due to (i) relevant counterparty's project-specific loans or government subsidies, special debt funds have not yet been in place; (ii) COVID-19 outbreak in multiple places across the country led to restricted personnel activities, hence the delayed settlement by our customers; (iii) project loan compliance procedures require joint audits and on-site communication with multiple relevant government departments, leading to a delay in the process, which then affects the availability of project loan facilities, and in turn has an impact on the collection of payments by us.

For the six months ended June 30, 2023, turnover days of our trade receivables and bills receivable increased from 169 days for the year ended December 31, 2022 to 217 days. The increase was primarily attributable to lower revenue recognized for the six months ended June 30, 2023. Our revenue for the year ended December 31, 2022 amounted to RMB12,844.8 million whereas our revenue for the six months ended June 30, 2023 was RMB5,248.9 million. The lower revenue recognized for the six months ended June 30, 2023 was mainly attributable to seasonality of our construction work, which during the Chinese New Year period, most of our projects and constructions are suspended. The balance of our trade receivables for the six months ended June 30, 2023 was RMB5,909.8 million, which was relatively stable as compared with the corresponding balance of RMB6,075.1 million for the year ended December 31, 2022.

Contract Assets and Receivables under Service Concession Arrangements

Contract assets represent the right to receive the corresponding consideration for the constructions completed as well as revenues associated with the provision of construction services at the reporting date. Contract assets are recognized when revenue is recognized before the Group is unconditionally entitled to the consideration in accordance with the payment terms set out in the contract (e.g. upon completion of settlement auditing). Contract assets are transferred to trade receivables when the right to receive consideration becomes unconditional. Our Group would reclassify from contract assets to receivables under service concession arrangements when PPP projects are under operation phase, which is contingent on our Group ensuring that the facilities meet specified requirements.

The following table sets forth a breakdown of our contract assets and receivables under service concession arrangements as at the dates indicated:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets arising from construction contracts				
– Contract assets on PPP projects	1,725,663	901,296	764,296	820,601
– EPC projects	1,468,470	3,521,803	5,090,635	5,433,806
	3,194,133	4,423,099	5,854,931	6,254,407
Retention receivable	130,367	286,169	554,051	500,253
Expected credit losses	(14,069)	(33,496)	(76,482)	(79,954)
	3,310,431	4,675,772	6,332,500	6,674,706
Less: Non-current portion of contract assets	(1,538,069)	(931,545)	(1,163,796)	(1,146,261)
	1,772,362	3,744,227	5,168,704	5,528,445
Receivables under service concession arrangements	1,053,098	2,430,661	2,769,022	2,875,202
Expected credit losses	(4,457)	(17,290)	(32,663)	(34,032)
	1,048,641	2,413,371	2,736,359	2,841,170
Less: Non-current portion of receivables under service concession arrangements	(969,838)	(2,104,580)	(2,405,701)	(2,475,562)
	78,803	308,791	330,658	365,608

For our construction contracts, we recognize revenue over time using the input method, which is measured based on the actual costs associated with the total budgeted construction costs as a percentage of the total contract value of the corresponding projects. During the Track Record Period, there was no material difference between our budgeted costs and the actual costs incurred for our construction projects. In general, during the construction period, we are contractually entitled to issue construction progress bills to our customers in accordance with the construction schedule, which is based on the percentage of progress confirmed by the customers upon completion of settlement review as stipulated in the relevant construction contracts, and the remaining portion of the completion value (being the customers' certified works performed by us which are yet to become unconditionally entitled for billing under the terms of contract) is recognized as contract assets and will be reclassified as trade receivables and recovered from customers upon completion of the settlement review.

Upon completion and acceptance of the construction works, we commence the settlement review process with our customers in accordance with the terms of the contract. During the Track Record Period, upon completion of the project, the time required for us to complete the settlement review and issue the final settlement value (excluding 3%-10% of the retention money) balance reached approximately one to three years.

According to the Frost & Sullivan Report, prolonged settlement review process is common in the construction industry in China mainly due to, among others, (i) careful acceptance by multiple responsible personnel from different parties, especially for large and complex projects or projects obtained from state-owned enterprises; (ii) extension of negotiations for final settlement, including determination of scope of works, resolution of quality issues and discussion of adjustments in the process of fulfilling the relevant contracts; (iii) the involvement of the customer's management and/or the lengthy internal approval process of the finance department, particularly for some of our customers, such as government-related entities; and (iv) some of the larger and/or complex projects require a longer period of time for inspection, which results in the need of a longer period of time to complete settlement review.

Our contract assets increased by RMB1,365.3 million from RMB3,310.4 million as of December 31, 2020 to RMB4,675.8 million as of December 31, 2021, increased by RMB1,656.7 million to RMB6,332.5 million as of December 31, 2022 and further increase by RMB342.2 million to RMB6,674.7 million as of June 30, 2023, the increase was primarily due to (i) our revenue recognised from our construction projects; (ii) the cumulative effect of contract asset balances for some of our construction projects that have a longer duration; (iii) the overall economic downturn as a result of the COVID-19 pandemic in the last two years, during which the capital flow of our customer was generally tight, resulting in the certification and billing process lagging behind and (iv) increase in the retention receivable.

The following tables set out (a) a breakdown of the Group's contract assets and receivables under service concession arrangements by project type and (b) carrying amount of the Group's contract assets and receivables under service concession arrangements for the PPP projects and (c) ageing analyses of the Group's contract assets of EPC projects, respectively, as of the end of each of the years/period indicated:

Breakdown of contract assets and receivables under service concession arrangements, net of expected credit loss, by project type:

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets:				
PPP projects	1,718,359	894,885	755,280	810,887
EPC projects	1,592,072	3,780,887	5,577,220	5,863,819
	3,310,431	4,675,772	6,332,500	6,674,706
Receivables under service concession arrangements	1,048,641	2,413,371	2,736,359	2,841,170
Total	4,359,072	7,089,143	9,068,859	9,515,876

There is a causal relationship between the contract assets and receivables under service concession arrangements and the number of PPP and EPC projects secured and commenced construction by the Group. Once the Group had secured a PPP/EPC project and commenced construction of such projects. The increase in contract assets recorded for each of our PPP and EPC projects was mainly attributable to the increase in number of such projects being obtained and commenced construction by the Group. The increase in receivables under service concession arrangements recorded for each of our PPP projects was mainly attributable to the increase in the number of PPP projects being commenced operation by the Group.

Carrying amount of PPP projects:

The following table sets forth the carrying amount of contract assets and receivables under service concession arrangements by PPP Projects as of June 30,2023:

	Project	Project Status	Contract asset			Receivables under service concession arrangements		
			Current portion (Note 2)	Non-current portion	Total	Current portion (Note 1)	Non-current portion	Total
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
1	PPP project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province	Construction phase	65,616	316,171	381,787	–	–	–
2	PPP Project of Underground Comprehensive Pipe Gallery Project in Xiyang Economic and Technological Development Zone, Xiyang County, Jinzhong City	Operation phase	–	–	–	57,741	411,196	468,937
3	PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone	Construction phase	–	6,229	6,229	–	–	–
4	PPP Project for Small Water Network Ancillary Works in Jiexiu City	Construction phase	94,305	328,566	422,871	–	–	–
5	PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County	Operation phase	–	–	–	1,691	447,269	448,960
6	PPP project of the Photovoltaic Industry Incubation and Entrepreneurship Base of the People's Government of Huangnian Town, a suburb of Changzhi City	Operation phase	–	–	–	27,446	160,073	187,519

	Project	Project Status	Contract asset Current portion (Note 2) RMB'000	Contract asset Non-current portion RMB'000	Contract asset Total RMB'000	Receivables under service concession arrangements Current portion (Note 1) RMB'000	Receivables under service concession arrangements Non-current portion RMB'000	Receivables under service concession arrangements Total RMB'000
7	PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Liulin County	Operation phase	–	–	–	65,403	301,299	366,702
8	PPP Project of Swimming Pool and Meixing Theater of Qinshui County in Jincheng City, Shanxi Province	Operation phase	–	–	–	59,152	290,871	350,023
9	PPP Project of Two Roads and Three Streets Widening and Reconstruction Project in Huguan County	Operation phase	–	–	–	22,166	240,071	262,237
10	PPP Project of Extension Project of Wangchuan Street, Qishan South Road and Huangwei East Street in Lingchuan County	Operation phase	–	–	–	26,924	176,337	203,261
11	PPP Project of "Five Roads and One River" Project in Gaoping City	Operation phase	–	–	–	64,731	285,055	349,786
12	PPP Project of South Extension Viaduct Project of Binhe East Road, Xiantangshan Tourist Highway in Xiangyuan County	Operation phase	–	–	–	22,540	90,049	112,589
13	PPP Project of (Fourth) Sewage Treatment Plant and Supporting Pipe Network Project of New Town in North of Linfen City	Operation phase	–	–	–	17,814	73,342	91,156
14	PPP Project of Urban Flood Control and Drainage and Comprehensive Treatment of Ecological Environment in Zhangzi County, Changzhi City	Not yet commence construction	–	–	–	–	–	–
			159,921	650,966	810,887	365,608	2,475,562	2,841,170

Notes:

1. Current portion of receivables under services concession arrangements includes construction, operating and interest income of PPP projects under "Operation phase", where the Group expected such income will be received within 12 months, which is based on contractually agreed milestone; and

2. Current portion of contract assets includes other non-construction income generated from the auxiliary services by sub-contractors, of which the Company acted as an agent for such auxiliary services of the PPP project under "Construction Phase".

Ageing analysis of EPC projects:

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Within 1 year	1,535,017	3,645,982	4,979,809	5,368,524
Non-current portion:				
Within 1 year	57,003	132,634	504,599	363,787
1 to 2 years	52	2,271	92,812	77,257
2 to 3 years	–	–	–	54,251
Sub-total	57,055	134,905	597,411	495,295
Total	1,592,072	3,780,887	5,577,220	5,863,819

Increase in contract and receivables under service concession arrangements assets for PPP projects

During construction phase of the PPP projects, contract asset for PPP projects is recognized when we recognize the non-cash construction revenue of PPP projects. The amount of the contract asset in relation to the construction work is determined as the present value of the guaranteed minimum payment that we are entitled to receive, and that the contract asset on PPP projects and receivables under service concession arrangements shall be settled by our customers to our Group throughout the operation period which generally has a time span of 10 to 29 years and classified as non-current. Our Group would reclassify from contract assets to receivables under service concession arrangements, when PPP projects are under operation phase, which is contingent on our Group ensuring that the facilities meets specified requirements. During the operation phase of the PPP projects, the portion of the receivables under service concession arrangements due within 12 months from the end of the respective year is classified as current asset as at the reporting date and the remaining balance is classified as the non-current portion. The current portion of the receivables under service concession arrangements for PPP projects due within 12 months from the end of the respective year represents the portion that our Group becomes unconditionally entitled to in accordance with contractual agreements for the PPP projects and such current portion of the receivables under service concession arrangements will be transferred as trade receivables; whereas the non-current portion under the relevant aged groups merely represent the age of recognition of such contract assets and receivables under service concession arrangements since the recognition of the non-cash construction revenue of PPP projects due more than 12 months. For details of the accounting treatment, please refer to "Accounting treatment associated with the construction of our PPP projects" in this section.

Hence, the movement of the aging profile of contract assets and receivables under service concession arrangements for PPP projects during the Track Record Period and the lower percentage of contract assets and receivables under service concession arrangements transferred as trade receivables (i.e. at the time when the right to receive payment becomes unconditional and subsequently became trade receivable as illustrated above) are mainly due to the cashflow mismatch of the PPP projects of the Group as we could generally only receive payments for the construction work from our customers throughout the operation period which usually have a time span of 10 to 29 years, and it is not an indication of a deterioration in ageing of contract assets and receivables under service concession arrangements for PPP projects during the Track Record Period. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our contract assets and receivables under service concession arrangements from PPP projects amounted to RMB2,767.0 million, RMB3,308.3 million, RMB3,491.6 million and RMB3,652.1 million, which represents period-on-period increase of approximately 19.6%, 5.5% and 4.6%. The increase in contract assets and receivables under service concession arrangements for our PPP projects was primarily attributable to the increase in number of PPP projects secured and the revenue recognised for some of our PPP projects in accordance with the progress of construction (i.e. percentage-of-completion). Representative PPP projects obtained and commenced construction which had contributed to the increase in contract assets and receivables under service concession arrangements for our PPP projects are set out below:

During the year ended December 31, 2020:

- PPP Project of "Five Roads and One River" Project in Gaoping City

- PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Liulin County

During the year ended December 31, 2021:

- PPP Project of (Fourth) Sewage Treatment Plant and Supporting Pipe Network Project of New Town in North of Linfen City

- PPP Project of Two Roads and Three Streets Widening and Reconstruction Project in Huguan County

During the year ended December 31, 2022:

- PPP Project for Small Water Network Ancillary Works in Jiexin City
- PPP Project of Quality Improvement Project (New Party School, Qinshiu-East Link Traffic Hub Project) of Qinshiu County, Jincheng City, Shanxi Province

During the six months ended June 30, 2023

- PPP Project of Quality Improvement Project (New Party School, Qinshiu-East Link Traffic Hub Project) of Qinshiu County, Jincheng City, Shanxi Province
- PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone

Furthermore, the increase in our contract assets and receivables under service concession arrangements for PPP projects from RMB3,308.3 million as of December 31, 2021 to RMB3,491.6 million as of December 31, 2022 and the further increase to RMB3,652.1 million as of June 30, 2023 were mainly attributable to the revenue contribution of the PPP Project of Quality Improvement Project (New Party School, Qinshiu-East Link Traffic Hub Project) of Qinshiu County, Jincheng City, Shanxi Province in the sum of RMB159.2 million and the PPP Project for Small Water Network Ancillary Works in Jiexin City in the sum of RMB37.6 million for the year ended December 31, 2022 and that of the PPP Project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province in the sum of RMB160.4 million for the six months ended June 30, 2023.

As of the Latest Practicable Date, RMB181.6 million representing 34.6% of the current portion of our contract asset and receivables under service concession arrangements for PPP projects as of June 30, 2023 were subsequently certified by and billed to our customers in accordance with the terms of our construction contracts after the settlement review as confirmed by our customers.

Increase in contract assets for EPC projects

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our contract assets for EPC projects amounted to RMB1,592.1 million, RMB3,780.9 million, RMB5,577.2 million and RMB5,863.8 million, which represents period-on-period increase of approximately 137.5%, 47.5% and 5.1% respectively. The increase in contract assets for our EPC projects was primarily attributable to the increase in number of EPC projects secured and the revenue recognised for the EPC projects in accordance with the progress of construction. Representative EPC projects obtained and commenced construction which had contributed to the increase in contract assets for our EPC projects are set out below:

During the year ended December 31, 2020:

- Demonstration Area Incubation Base Scientific and Technological Achievements Exhibition Center Supporting Talent Apartments and Service Facilities project;

- Valley Prefabricated Building Intelligent Manufacturing Industrial Park Standardized Workshop project in Weilan; and

- Subway Line Network Electromechanical Equipment in Weilan project

During the year ended December 31, 2021:

- The Coal to Electricity Heating Demonstration Transformation Project in Keping County;

- The Huludao Xulan Nanpiao 80MW photovoltaic power generation project; and

- Equipment Manufacturing and New Material High-end Plant Construction project equipment in the Shanxi Transformation Comprehensive Reform Demonstration Zone Industrial Park project.

During the year ended December 31, 2022:

- 350MW low calorific value coal power generation project in Hequ;

- 100MW multi-energy complementary project in Yuanqu County

- 100MW agricultural and complementary photovoltaic power generation project in Ruicheng County.

During the six months ended June 30, 2023

- Gujiao Hekou 100MW Wind Power Project (古交河口100MW風力發電項目)

- Coalbed Methane Liquefaction project of 600,000 Nm^3/day (60萬Nm^3/日煤層氣液化項目)

- Lianjiang City Liangdong 80MW Fishery and Photovoltaic Complementary power generation Project (廉江市良垌80兆瓦漁光互補光伏項目)

The non-current portion of our contract assets for EPC projects as of December 31, 2022 amounted to RMB597.4 million mainly represented the retention receivables which will generally be returned to us in full at the end of the defects liability period. Increase in the non-current portion of our contract assets for EPC projects was mainly attributable to increase the retention receivable due to increase the number of EPC projects completion during the year ended December 31, 2022. The non-current portion of our contract assets for EPC projects as of June 30, 2023 amounted to RMB495.3 million, representing a decrease of RMB102.1 million comparing with that as of December 31, 2022. Such decrease was primarily attributable to the collection of our retention receivables upon expiry of the relevant defect liability period. As of the Latest Practicable Date, RMB3,067.8 million representing 57.1% of the current portion of our contract assets for EPC projects as of June 30, 2023 were subsequently certified by and billed to our customers in accordance with the terms of our construction contracts after the settlement review as confirmed by our customers.

Reversal of contract Assets

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, we had reversal of contract asset in the sum of RMB3.7 million, RMB32.9 million, RMB46.9 million and RMB7.6 million, which accounted for 0.1%, 0.8%, 0.7% and 0.1% of the total contract asset of the prior financial year. The reversal of contract asset for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 respectively arose from two, nine, 27 and 15 projects, which accounted for 0.3%, 1.3%, 3.7% and 1.7% of the total number of projects undertaken by our Company during respective year. The reversal of contract assets for the year ended December 31, 2020, stems from projects with original contract value that ranged between RMB21.3 million, RMB179.4 million, and ranged between RMB8.0 million and RMB1,440.9 million for 2021, between RMB1.1 million and RMB519.2 million for 2022, and between RMB3.6 million and RMB1,194.1 million for the six months ended June 30, 2023.

Turnover days of our contract assets

The following table sets forth the turnover days of our contract assets for the years/period indicated:

	As of December 31,			For the six months ended June 30,
	2020	**2021**	**2022**	**2023**
Turnover days of our contract assets*(Note)*	101	110	158	227

Note: Turnover days of our contact assets for the Track Record Period is calculated based on the average of the beginning and ending balances of contract assets for that period divided by revenue for that period and multiplied by 365 days in 2020, 2021 and 2022 and 181 days for the six months ended June 30, 2023.

Turnover days for our contract assets increased from 101 days for the year ended December 31, 2020 to 110 days for the year ended December 31, 2021, Such increase was mainly attributable to the progress of several projects had substantive progress, yet the progress of the completion audit was comparatively slower, thereby resulting in an increase in contract asset for the period ended December 31, 2021, which representative projects include the PPP Project of Comprehensive Renovation Engineering of Fenhe Urban Section of Xinjiang County, Coal to Electricity Heating Demonstration Transformation Project in Keping County, Huludao Xulan Nanpiao 80MW photovoltaic power generation project and the Equipment Manufacturing and New Material High-end Plant Construction project equipment in the Shanxi Transformation Comprehensive Reform Demonstration Zone Industrial Park project.

Turnover days for our contract assets further increased to 158 days for the year ended December 31, 2022 as a result of (i) the delay in completion audit in several projects due to the COVID-19 pandemic in the PRC, the representative projects of which include 350MW low calorific value coal power generation project in Hequ, 100MW agricultural and complementary photovoltaic power generation project in Ruicheng County and 100MW multi-energy complementary project in Yuanqu County; and (ii) substantive progress in our PPP projects yet the certification of revenue is pending for completion audit, representative projects of which include the PPP Project of South Extension Viaduct Project of Binhe East Road, Xiantangshan Tourist Highway in Xiangyuan County and the PPP project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province.

Turnover days for our contract assets for the six months ended June 30, 2023 increased to 227 days, which was primarily caused by an increase in closing balances of contract assets as of the year of December 31, 2022 from RMB6,332.5 million to RMB6,674.7 million and also a decrease in unbilled revenue in the corresponding period mainly due to the cut-off time for billing of our construction work. The increase in contract assets was primarily due to us completing a substantial portion of construction for major projects in the first six months of 2023 including the Lianjiang City Liangdong 80MW Fishery and Photovoltaic Complementary power generation Project (廉江市良垌80兆瓦漁光互補光伏項目) (i.e. Project SIC-40) and Gujiao Hekou 100MW Wind Power Project (古交河口100MW風力發電項目) (i.e. Project SIC-38), thus a higher level of revenue recognition and the relevant customers' confirmation at a later time of the corresponding construction.

Due to the nature of the construction industry, most of our projects were subject to completion audit, which is an industry practice for the certification of revenue and costs, and the progress of transfer of our contract assets to trade receivables may be prolonged as a result of delay in completion and/or settlement audit due to various reasons such as negotiations between the parties and progress of the audit. Having considered that (i) the management of the Company has reviewed and assessed the ECL model we currently adopted, and have concluded that sufficient provision is made under such model; and (ii) the practice of conducting settlement audit is in line with the industry standard, the management of the Company is of the view that there is no recoverability issue in respect of its contract asset despite the low subsequent certification rate of our contract assets.

Contract Liabilities

Contract liabilities are recognized when the customers pay the consideration before we recognize the related revenues. Contract liabilities will also be recognized if we have an unconditional right to consideration before the related revenues are recognized. In this case, the corresponding receivables will also be recognized. For a single contract entered into with a customer, net contract assets or net contract liabilities are presented. For multiple contracts, contract assets and contract liabilities for unrelated contracts are not presented on a net basis.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our contract liabilities balance was approximately RMB1,105.3 million, RMB1,407.4 million, RMB2,166.3 million and RMB1,711.0 million, respectively. As we negotiate relevant prepayment arrangements on a case-by-case basis with our customers, there has been no change in the payment terms of our projects, our settlement procedures and revenue recognition policies during or before the Track Record Period. The fluctuations in our contract liabilities during the Track Record Period were due to the fact that we received payments in proportion to the prepayments agreed in the landlords' contracts, which was a normal change.

As of the Latest Practicable Date, RMB699.4 million representing 40.9% of our contract liabilities as of June 30, 2023 have been utilized.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly include deposits and other receivables, prepayments to suppliers and value-added tax receivables. Prepayment refers to the advance payment for, including but not limited to, procuring installation parts and materials (such as steel, cement, wind turbine, photovoltaic modules, electric cable and etc.), service fees (such as prepayment for subcontracting service arrangements and labour cost, as well as consultation fees paid to professional consultants depending on type of the project involved or as agreed in the contract); whereas deposits and other receivables mainly refer to the amount paid to our customers as security deposit for our construction projects, amount due from related parties, other receivables and loans to associates. The following table sets forth details of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables				
– Reserves	*3,040*	*14,349*	*6,443*	*13,301*
– Security deposits	*223,767*	*147,918*	*159,073*	*139,901*
– Deposits	*17,062*	*19,390*	*27,555*	*28,301*

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
– Loans to associates	*–*	*–*	*54,684*	*15,741*
– Loans to former associates	*199,839*	*85,633*	*50,439*	*45,439*
– Amount due from related parties	*686,789*	*469,736*	*566,129*	*444,338*
– Other receivables	*297,045*	*221,953*	*198,327*	*188,799*
	1,427,542	958,979	1,062,650	875,820
Less: Expected credit losses	(21,927)	(26,202)	(37,496)	(44,124)
Deposits and other receivables, net	1,405,615	932,777	1,025,154	831,696
Other contract costs	16,938	18,867	20,084	11,111
Prepayments	462,004	701,224	500,176	516,900
Prepayments to associates	–	–	22,300	16,688
Prepayments to related parties	1,365	86,668	31,096	17,351
Tax recoverable	38	45	38	21
Value-added tax receivables	165,084	243,992	357,589	520,967
Prepayments, deposits and other receivables, net	2,051,044	1,983,573	1,956,437	1,914,734

During the Track Record Period, our prepayments, deposits and other receivables fluctuated, primarily reflected prepayments to suppliers and subcontractors, associates and key management personnel. Prepayments to suppliers fluctuated in line with actual production and operation.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our prepayments, deposits and other receivables amounted to RMB2,051.0 million, RMB1,983.6 million, RMB1,956.4 million and RMB1,914.7 million respectively. For the year ended December 31, 2021, we recorded a slight decrease in our prepayments, deposits and other receivables by 3.3% when compared to the year ended December 31, 2020.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our deposit and other receivables amounted to RMB1,427.5 million, RMB959.0 million, RMB1,062.7 million and RMB875.8 million, representing a decrease of 32.8% for the year ended December 31, 2021, an increase of 10.8% for the year ended December 31, 2022 and a decrease of 17.6% for the six months ended June 30, 2023. Our deposit and other receivables mainly comprise the amount paid to our customers as security deposits for our construction projects, amount due from related parties, other receivables and loans to associates. The fluctuation in our deposit and other receivables was primarily caused by the fluctuations in our security deposits and amount due from related parties.

The decrease in our deposit and other receivables of approximately RMB468.6 million from as of December 31, 2020 to as of December 31, 2021, representing a year-on-year decrease of 32.8% was primarily a result of (i) the decrease in our security deposit of approximately 33.9% in the sum of RMB75.8 million with the decrease in security deposit due to fewer project awarded in open tenders; (ii) decrease in loans to former associates in the sum of RMB114.2 million with the repayment from Yu'an Hengchuang and Shanxi Jianfa Comprehensive Energy Development Co., Ltd.* (山西建發綜合能源開發有限公司); and (iii) the decrease in amount due from related parties in the sum of approximately RMB217.1 million as a result of repayment from Shanxi CIG.

As of December 31, 2022, our deposits and other receivables increased by approximately RMB103.7 million, representing an increase of 10.8% when compared to that as of December 31, 2021, which was primarily attributable to deposits we placed in connection with the land and properties to be applied to our power projects.

As of June 30, 2023, our deposits and other receivables decreased by RMB186.9 million, representing a 17.6% decrease when compared to that as of December 31, 2022, which was due to (i) repayment of the loan to associates in the sum of RMB2.0 million by Shanxi Jiantong Construction Industry Co., Limited (山西建投建築產業有限公司); and (ii) collection of construction fee of RMB21.3 million due from a related party during the six months ended June 30, 2023.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, our expected credit loss allowance for deposits and other receivables amounted to RMB21.9 million, RMB26.2 million, RMB37.5 million and RMB44.1 million, respectively, representing 1.5%, 2.7%, 3.5% and 5.0% of the aggregate amount of deposits and other receivables, respectively.

The increase in the expected credit loss allowance during Track Record Period was mainly driven by the expected credit loss by individual assessment of RMB5.8 million, RMB9.9 million, RMB12.4 million and RMB14.0 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively, on the balances of security deposits of RMB36.0 million paid for the construction work of pharmaceutical and photovoltaic project in 2016 in accordance with the contractual requirement under the relevant contract, and such project is in dispute.

In June 2016, our Group had entered into a cooperation agreement with Pingyao County Government (the "**Pingyao Government**") for a cooperation development plan of a pharmaceutical and photovoltaic project with a total investment amount of approximately RMB4.5 billion (the "**Cooperation Agreement**"). Pursuant to the Cooperation Agreement, our Group was required to pay a deposit of RMB20.0 million to the Pingyao Government for financing of the preparation work to be conducted for the construction project. On the other hand, as the project involve land circulation procedures, our Group had entrusted such handling procedures to another co-developer of the project under an entrustment agreement (the "**Entrustment Agreement**"). A prepayment was made by the Company in the amount of RMB16.0 million to such co-developer under the Entrustment Agreement.

In July 2017, our Group was informed that Pingyao Government was not able to fulfil the conditions set forth in the Cooperation Agreement as it had failed to obtain the approval of the project before the time limit. Such failure had caused suspension in the project and our Group had requested that the Pingyao Government and the co-developer to refund the deposit and the prepayment under the Cooperation Agreement and the Entrustment Agreement and other upfront costs and had filed a lawsuit against Pingyao Government and the co-developer for, among others, the termination of the Cooperation Agreement, the return of the details and payment of compensation in the amount of RMB40.0 million and the return of the prepayment under the Entrustment Agreement in the sum of RMB16.0 million. A judgment in favour of our Group for termination of the Cooperation Agreement and the refund of the deposit and the entrustment prepayment in the aggregate sum of RMB36.0 million (the "**Judgment Sum**") had been given in March 2021 from the Intermediate People's Court of Lvliang City. Our Group had filed appeals in September 2021 and December 2022 for other investment losses in respect of the project which our Group had been advised that it is highly probable that the appeal court will rule in favour of our Group.

As of the Latest Practicable Date, Pingyao Government had not paid the Judgment Sum to our Group as the appeals are still on-going. Our Directors are of the view that once the judgment of the appeals had been handed down, Pingyao Government will settle the Judgment Sum and other relevant costs as adjudicated by the appeal court.

The credit risk of the balance of RMB36.0 million (being the sum of RMB20.0 million of security deposit paid to the Pingyao Government and the RMB16.0 million paid to the co-developer) had been measured by adopting a (i) lifetime probability of default and (ii) loss allowance for lifetime expected credit losses. Our Group had engaged an independent valuer to assess the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs in accordance with IFRS9 and applied the measurement of expected credit loss using probability-weighted loss default approach.

Having considered (i) the background of Pingyao Government, which is a government body belonging to People's Government of Shanxi Province and has the highest credit rating in accordance with international credit rating agencies; (ii) the co-developer was involved in certain litigations and no financial information of the co-developer was made available for assessment, as a prudent approach, a low credit rating level was applied and the estimated credit loss rates of 36.3%, 61.6%, 77.4% and 79.2% was applied as of each of December 31, 2020, 2021 and 2022 and June 30, 2023; and (iii) the aforementioned judgment from the court in favour of our Group in March 2021, our Group has provided expected credit loss by individual assessment of RMB5.8 million, RMB9.9 million, RMB12.4 million and RMB14.0 million on the balances of RMB36.0 million as at December 31, 2020, 2021, 2022 and June 30, 2023, respectively, our Directors are of the view that such expected credit loss allowance is sufficient.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our prepayments amounted to RMB462.0 million, RMB701.2 million, RMB500.2 million and RMB516.9 million. Our prepayments mainly comprise cost of procuring installation parts and materials, service fees, construction fees and equipment fees. The fluctuation in prepayment were mainly attributable to the difference in prepayments paid for installation parts and subcontracting services arrangements and labour cost, which varied in accordance with and largely depends on the construction needs during the relevant financial year and construction progress of our on-going projects. In particular, prepayments required for some of the installation parts and materials in our construction projects, such as wind turbine tower and power generator for our wind power plant construction projects, and photovoltaic modules for our photovoltaic construction projects, require a higher portion and more significant amount of prepayments at early stages of construction.

For December 31, 2021, our prepayments increased by approximately 51.8% when compared to that as of December 31, 2020, which primarily due to an increase in prepayments for raw materials, as we have made prepayments for photovoltaic module in the sum of approximately RMB102.2 million. The photovoltaic modules were applied in power engineering projects including our photovoltaic power generation project in Liaoning, Huludao (i.e. Project SIC-21).

For the year ended December 31, 2022, our prepayment decreased by 28.7% to RMB500.2 million, which was primarily attributable to the fact that several of our on-going projects have entered into construction stage, including a 80MW photovoltaic project in Huludao (葫蘆島80MW光伏項目), a 50MW distributed rooftop photovoltaic power generating project in Lutai (蘆台50MW屋頂分佈光伏發電項目), the prepayments made thereof were utilized and the relevant project costs were recognised as our cost of sales, thereby reducing the amount of our prepayment for the year ended December 31, 2022.

For the six months ended June 30, 2023, our prepayment increased by 3.3% from RMB500.2 million as of December 31, 2022 to RMB516.9 million. Such increase was primarily attributable to the increase in prepayment for procurement of construction raw materials from suppliers for our construction projects. As of the Latest Practicable Date, the subsequent utilization rate of our prepayment, deposits and other receivables as of June 30, 2023 was 55.4%.

The purpose of provision of loans to its associates and former associates was mainly for financing some construction projects, which our Group also invested in through shareholders loan to the relevant project companies which the Company has equity interests in.

For the provision for ECL allowance on loans to associates and former associates, our Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the associates and former associates.

Our management would make periodic individual assessment on the recoverability of associates and former associates based on historical settlement records and past experience as well as current external information and makes adjustment based on the weighted probability of forward-looking information including operation default rate of associates and former associates.

In particular, regarding to assess the credit risk, our management has considered the financial statements of the former associates during the Track Record Period, which has shown that they have strong financial position as at December 31, 2020, 2021 and 2022 and June 30, 2023. In addition, the former associates are the indirect wholly-owned subsidiaries of Shanxi CIG as at December 31, 2020, 2021 and 2022 and June 30, 2023, of which Shanxi CIG has undertaken the balances of loans to former associates as at December 31, 2020, 2021 and 2022 and June 30, 2023 to compensate to the Group in full for any failure of repayment. In view of the strong financial position of Shanxi SIG, no provision for ECL allowance is required on loans to former associates as at December 31, 2020, 2021 and 2022 and June 30, 2023.

Regarding to the loans to associates as at December 31, 2022 and June 30, 2023, our management also has assessed the credit risk on associates by considering the financial statements of the associates, which has shown they have strong financial position as at December 31, 2022 and June 30, 2023. In addition, the balances of loans to associates of RMB47.0 million and RMB15.7 million are provided to the associates, which are wholly-owned subsidiary of Shanxi CIG as at December 31 , 2022 and June 30, 2023, respectively, of which Shanxi CIG has undertaken the balances of loans to associates as at December 31, 2022 and June 30, 2023 to compensate to us in full for any failure of repayment. In view of the strong financial position of Shanxi SIG, no provision for ECL allowance on the balances of loans to associates of RMB47.0 million and RMB15.7 million is required as at December 31, 2022 and June 30, 2023, respectively. Meanwhile, as at December 31, 2022, the remaining balance of loan to an associate of RMB7.7 million aged within 1 year and the associate is a state-owned enterprise, which is considered to have the relative high credit rating. As such, the credit risk for the associate is considered to be minimal and no provision for ECL allowance is required on loans to associates as at December 31, 2022. As of June 30, 2023, the remaining balance of loan to the associate was RMB15.7 million. As of the Latest Practicable Date, RMB13.0 million of such balance has been settled.

As advised by the PRC Legal Advisor, although our Company did not comply with the provisions of the "General Principles on Loans" (《貸款通則》) when providing interest bearing loans to our affiliated companies and former affiliated companies, in view of the fact that (1) the loan contracts signed between our Group and the affiliated companies and former affiliated companies do not fall within any of the circumstances that would render the loan contracts invalid as stipulated in the "Provisions of the Supreme People's Court on Several

Issues Concerning the Application of Law in the Trial of Private Loan Cases (Second Revision in 2020)" (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020第二次修訂)》); and (2) as of the Latest Practicable Date, our Group has not received any investigation or penalty in relation to the aforementioned loans, our PRC Legal Advisor is of the view that the possibility that our Group will be subject to penalty from the People's Bank of China as a result of the aforementioned loan is low, and therefore such non-compliances will not have a material impact on the Listing.

For details of loans to associates and former associates, and amount due from related parties, please refer to section headed "Related Party Transactions" under notes 49 in the Accountants' Report set out in Appendix I to this prospectus.

Trade payables and bills payable

Our trade payables and bills payable mainly represent payables to our suppliers and subcontractors. The following table sets forth our trade payables and bills payable as of the dates indicated:

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables and bills payable	4,844,502	7,594,503	9,170,618	9,541,048
Total	**4,844,502**	**7,594,503**	**9,170,618**	**9,541,048**

Our trade payables and bills payable increased from RMB4,844.5 million as of December 31, 2020 to RMB7,594.5 million as of December 31, 2021 and further increased to RMB9,170.6 million as of December 31, 2022. Such increase was mainly a result of a growth in our construction projects in line with our growing business, particularly in the area of (i) petrochemical engineering, which our segmental revenue generated therefrom has increased by approximately 35.1% for the year ended December 31, 2022 when compared to that with the year ended December 31, 2020; and (ii) power engineering (including new energy engineering), which experienced rapid growth in segmental revenue with a year-on-year growth rate of 19.6% from 2020 to 2021, and a period-on-period growth rate of 7.3% from 2021 to 2022. In turn, such effort is a reflection of our growing business to support the regional/national development in the respective industries. And as the number of our construction projects increased our trade payables increased accordingly. Our trade payables and bills payable as of June 30, 2023 increased by RMB370.4 million to RMB9,541.0 million as a result of (i) increase in settlement to suppliers through bills; and (ii) increase in procurement volume of raw materials. Based on our Directors' knowledge after making all reasonable enquiries, as of August 31, 2023, the amount in dispute with our creditors in respect of our trade payables and bill payables amounted to RMB41.8 million, representing 0.4% of our trade payables and bill payables as of June 30, 2023. The disputed amounts were mainly arising from disputes over quality of the products delivered to us and/or the delays in payment by our customers to us, which subsequently led to delays in our payments to upstream suppliers. Given that the amount in dispute with our creditors is minimal which only amounted to less than 0.4% of our trade payables and bill payables as of June 30, 2023, the Directors are of the view, and the Reporting Accountants and Joint Sponsors concur, that it will not have a material impact on the Group's financial position.

As of the Latest Practicable Date, RMB3,039.8 million representing 31.9% of our trade payables and bills payable as of June 30, 2023 have been paid.

The following table sets forth an aging analysis of our trade payables and bills payable, based on the invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	4,084,771	6,486,571	6,483,009	5,858,573
1 to 2 years	484,286	660,791	1,863,195	2,523,132
2 to 3 years	163,622	231,062	637,570	920,611
Over 3 years	111,823	216,079	186,844	238,732
Total	4,844,502	7,594,503	9,170,618	9,541,048

The following table sets forth turnover days of our trade payables and bills payable for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2020	**2021**	**2022**	**2023**
Turnover days of our trade payables(1)	181	197	278	380

(1) Turnover days of our trade payables and bills payables for the Track Record Period is calculated based on the average of the beginning and ending balances of the trade payables and bills payables for that period divided by cost of sales for that period and multiplied by 365 days in 2020, 2021 and 2022, and 181 days for the six months ended June 30, 2023.

Turnover days of our trade payables and bills payable increased from 181 days for the year ended December 31, 2020 to 197 days for the year ended December 31, 2021 increased to 278 days for the year ended December 31, 2022 and further increased to 380 days for the six months ended June 30, 2023, mainly due to our increased trade receivables and bills receivable restricted our cash flow and limited our ability to settle trade payables. The further increase from 278 days to 380 days for the six months ended June 30, 2023 was attributable to lower costs of sales due to seasonality. During the Chinese New Year period, most of our projects and constructions are suspended, thus we generally incurred relatively less costs of sales. Our Directors confirm that we had no material defaults in payment of trade payables and bills payable during the Track Record Period.

Our accounts payable increased from RMB4,844.5 million as of December 31, 2020 to RMB9,170.6 million in as of December 31, 2022, and further increased to RMB9,541.0 million as of June 30, 2023 mainly because of our scheduled payments for raw materials and equipment. In turn, purchase of raw material and equipment accounted for 57.2%, 61.5%, 60.8% and 66.7% of our accounts payable for 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. The aforementioned increase reflected the payment schedule in accordance with the delivery/testing events, as relevant, of the raw materials and equipment. Moreover, as the larger/sizable equipment have longer payment schedules, our accounts payable increased correspondingly in time.

Other payables and accruals

Our other payables and accruals mainly comprise other tax payables, other payables, amount due to related parties and endorsed bills payable. The following table sets forth the components of our other payables and accruals as of the dates indicated:

	As of December 31,			**As of June 30,**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenses	117,547	96,135	84,355	80,369
Security deposits received	58,564	43,180	32,026	32,956
Amount due to related parties	563,360	360,000	605,877	615,108
Other payables	540,121	410,649	294,964	242,850
Withholding of tax and social insurance for employee	10,437	39,843	4,400	7,909
Dividend payable	69,770	–	–	71,678
Other tax payable	653,295	882,063	889,536	975,866
Endorsed bills payable	299,483	239,049	254,695	175,437
Less: long-term payable (current and non-current portion)	(300,000)	(300,000)	(300,000)	(300,000)
Total	2,012,577	1,770,919	1,865,853	1,902,173

Our other payables and accruals decreased from RMB2,012.6 million as of December 31, 2020 to RMB1,770.9 million as of December 31, 2021, primarily due to the decrease in amount due to related parties upon the repayment of the borrowing of RMB250.0 million in August 2021 obtained from Shanxi CIG in June 2020. Our other payables and accruals increased from RMB1,770.9 million as of December 31, 2021 to RMB1,865.9 million as of December 31, 2022, primarily due to the increase in amount due to related parties as we increased the borrowings from Shanxi CIG by RMB95.3 million. For the six months ended June 30, 2023, our other payables and accruals increased from RMB1,865.9 million as of December 31, 2022 to RMB1,902.2 million, which is primarily attributable to (i) the declaration of dividend in April 2023 leading to a dividend payable in the sum of RMB71.7 million; and (ii) increase in other tax payable by RMB86.3 million, which was partially offset by the decrease in endorsed bill payable by RMB79.3 million.

The dividends payable mainly consist of dividends to be distributed in accordance with the principle of "same share, same profit" in accordance with the approval of Shanxi CIG. For the Group's dividend distribution in 2019, as approved by our board of directors on July 30, 2020.

For details of the amount due to related parties, please refer to section headed "Related Party Transactions" under notes 49 in the Accountants' Report set out in Appendix I to this prospectus.

INVESTMENT IN ASSOCIATES

Our investment in associates reflects the investments in entities of which we have the power to participate in the financial and operating policy decisions. The table below sets forth details of our investments in associates as of the dates indicated:

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in associates	32,609	46,137	183,327	193,941

Our investments in associates increased by 5.8% from RMB183.3 million as of December 31, 2022 to RMB193.9 million as of June 30, 2023, which was due to (i) addition investment of RMB8.3 million in Zhangzi Jinjian Flood Control and Drainage Project Management Company Limited (長子晉建防洪排澇項目管理有限公司); and (ii) the share of associates' profits of RMB2.3 million.

Our investments in associates increased by 297.4% from RMB46.1 million as of December 31, 2021 to RMB183.3 million as of December 31, 2022, which was due to (i) additional investment of RMB116.0 million in Shanxi CIG International Investment Company

Limited and Shanxi Jinjian Shan'an Equity Investment Partnership (Limited Partnership), both of which are associates of the Company; and (ii) the share of associates' profits of RMB5.5 million recognized under the equity method.

Our investments in associates increased by 41.5% from RMB32.6 million as of December 31, 2020 to RMB46.1 million as of December 31, 2021, which was due to (i) additional investment of RMB17.3 million in Shanxi Jianfa Comprehensive Energy Development Co., Ltd., Shanxi CIG International Investment Company Limited, Shanxi Jiantou Cloud Data Technology Co., Ltd. and Shanxi Jiantou Linfen Construction Industry Co., Ltd., all of which are associates of the Company; (ii) the share of associates' losses of RMB5.8 million recognized under the equity method; (iii) gains from conversion of the former subsidiary Yu'an Hengchuang into an associate of RMB8.8 million; and (iv) losses on disposal of Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. of RMB6.9 million.

Deferred tax liabilities/assets

Our deferred tax liabilities/assets are provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The table below sets forth details of our deferred tax liabilities/assets as of the dates indicated:

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	43,018	63,955	100,064	107,760
Deferred tax liabilities	(70,660)	(76,118)	(74,012)	(72,690)
Net deferred tax (liabilities)/assets	(27,642)	(12,163)	26,052	35,070

Our net deferred tax liabilities decreased from RMB27.6 million as of December 31, 2020 to RMB12.2 million as at December 31, 2021. As of December 31, 2022, we recorded a net deferred tax assets of RMB26.1 million. Our net deferred tax position varied mainly due to provisions and accruals, changes in fair value of investment properties, changes in fair value of investments in equity instruments, deferred tax arising from companies for PPP projects, and taxable temporary differences in realizing internal profit or loss. As of June 30, 2023, we recorded a net deferred tax assets of RMB35.1 million, representing an increase of RMB9.0 million comparing with that as of December 31, 2022. Such increase was primarily attributable to provisions and accruals regarding to expected credit loss on trade receivables and other receivables in the sum of RMB6.6 million and the deferred tax arising from companies for PPP projects in the amount of RMB2.5 million.

RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

Our receivables under service concession arrangements reflect the outstanding receivables arising from our projects accounted for under service concession arrangements adjusted by operation services and interest income after deducting the payments accrued throughout a concession period. The table below sets forth details of our receivables under service concession arrangements as of the dates indicated:

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables of PPP projects construction income	39,259	32,347	33,971	16,970
Receivables of PPP projects operating fee	68,882	72,355	54,614	35,134
Interest receivables of PPP projects	35,988	35,738	6,158	13,066
Receivables under service concession arrangements	144,129	140,440	94,743	65,170

Our receivables under service concession arrangements decreased from RMB144.1 million as of December 31, 2020 to RMB140.4 million as of December 31, 2021 and decrease to RMB94.7 million as of December 31, 2022, mainly reflecting the receivables under service concession arrangements of PPP projects. Our receivables under service concession arrangements further decreased to RMB65.2 million as of June 30, 2023.

As of the August 31, 2023, we have received RMB24.9 million of the receivables under our PPP project concession arrangements as of June 30, 2023 in accordance with the terms of such arrangements.

INDEBTEDNESS

The following table sets forth details of our bank borrowings, other borrowings and long-term payable:

	As of December 31,			As of June 30,	As of September 30,
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current					
Bank borrowings – unguaranteed	55,868	455,364	1,740,290	2,884,642	2,256,296
Bank borrowings – guaranteed	560,737	411,558	130,000	–	–
Bank borrowings – secured	5,000	110,000	–	–	–
Other borrowings – unguaranteed	207,984	523,660	305,117	40,000	50,747
Other borrowings – secured	125,215	50,000	25,918	59,380	32,943
	954,804	1,550,582	2,201,325	2,984,022	2,339,986
Current portion of long-term borrowing					
Bank borrowings – unguaranteed	15,210	–	–	–	–
Bank borrowings – guaranteed	44,780	64,781	28,782	39,763	43,989
Bank borrowings – secured	83,812	109,815	155,379	166,408	161,732
Other borrowings – secured	171,387	253,506	326,239	316,034	262,079
	315,189	428,102	510,400	522,205	467,800

	As of December 31,			As of June 30,	As of September 30,
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Non-current liabilities					
Bank borrowings – unguaranteed	–	–	200,000	200,000	200,000
Bank borrowings – guaranteed	77,280	124,809	161,541	165,509	147,013
Bank borrowings – secured	1,689,000	2,033,537	2,048,694	2,198,830	2,462,884
Other borrowings – secured	66,277	127,146	276,956	128,425	106,459
	1,832,557	2,285,492	2,687,191	2,692,764	2,916,356
	3,102,550	4,264,176	5,398,916	6,198,991	5,724,142
Long-term payable (current and non-current portion)	300,000	300,000	300,000	300,000	300,000

The following table sets forth the maturity profile of our bank borrowings and other borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Bank borrowings payable:					
Within one year	765,407	1,151,518	2,054,451	3,090,813	2,462,017
Second year	37,400	64,675	201,048	230,122	230,520
Third to fifth year (both years inclusive)	158,830	145,325	800,242	937,181	975,220
After the fifth year	1,570,050	1,948,346	1,408,945	1,397,036	1,604,157
	2,531,687	3,309,864	4,464,686	5,655,152	5,271,914

	As of December 31,			As of June 30,	As of September 30,
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Other borrowings payable:					
Within one year	504,586	827,166	657,274	415,414	345,768
Second year	53,164	87,351	167,045	82,012	66,442
Third to fifth year (both years inclusive)	13,113	39,795	109,911	46,413	40,018
	570,863	954,312	934,230	543,839	452,228
	3,102,550	4,264,176	5,398,916	6,198,991	5,724,142

The following table sets forth the actual interest rate range of our bank borrowings, other borrowings and long-term payable as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2020	2021	2022	2023	2023
	%	*%*	*%*	*%*	*%*
					(unaudited)
Bank borrowings	3.85-9.00	3.85-6.18	1.45-6.15	1.45-6.15	1.45-6.15
Other borrowings	4.50-11.06	4.50-10.79	4.50-10.79	5.30-10.79	7.04-10.79
Long-term payable	9.7	9.7	9.7	9.7	9.7

During the Track Record Period, our other borrowings arose from 22 lenders who are independent third parties, in which the loan principals due from each lender vary from RMB0.8 million to RMB511.6 million and an aggregate of RMB3,538.0 million. As of June 30, 2023, borrowings from 10 lenders remained outstanding with an outstanding balance of approximately RMB543.9 million, and a balance ranging from RMB0.8 million to RMB144.9 million. These lenders include financial institutions and business corporations, and their principal businesses include financial leasing service, factoring service and financial service. Despite the higher actual interest rates, we obtain loans from these lenders instead of licensed banks in some cases due to simpler procedures and requirements, as well as shorter drawdown period, which in turn can address our timely financial needs in our course of business.

The following table sets forth the carrying amounts of assets that we had pledged to secure general banking facilities as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables and bills receivable	460,998	702,624	828,866	813,665
Contract assets	1,543,849	773,523	18,894	619,386
Receivables under service concession arrangements	804,138	1,945,932	2,266,484	2,057,946
Restricted bank deposits	269,646	328,983	748,105	597,762
Total	3,078,631	3,751,062	3,862,349	4,088,759

The following table sets forth the guaranteed portions of our bank borrowings and other borrowings:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guaranteed by:				
Controlling shareholder	560,000	411,000	130,000	–
Affiliates	15,000	–	–	–
Total	575,000	411,000	130,000	–

We plan to gradually reduce the amount of our guaranteed borrowings. The guarantee by our Controlling Shareholder will be released before Listing.

Our bank borrowings and other borrowings increased by RMB800.1 million from RMB5,398.9 million as of December 31, 2022 to RMB6,199.0 million as of June 30, 2023, primarily attributable to the increase was primarily attributable to an increase in (i) our usage of bill factoring, and (ii) financing for the PPP Project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province as it entered into a major construction stage.

Our bank borrowings and other borrowings increased by RMB1,134.7 million from December 31, 2021 to December 31, 2022, primarily because of the increased borrowings as we have expanded our business, and the demand for working capital have increased accordingly.

Our bank borrowings and other borrowings increased by RMB1,161.6 million from December 31, 2020 to December 31, 2021, primarily because (i) as we have expanded our business in 2021, the demand for working capital have increased accordingly, and (ii) we have further strengthened our cooperation with financial institutions.

As of the Latest Practicable Date, we had unutilized bank borrowing facility of RMB5,907.2 million out of a credit line of RMB13,065.4 million.

As at September 30, 2023, the Group had lease liabilities amounting to approximately RMB80.4 million. Lease liabilities of our Group for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 have respectively amounted to RMB73.6 million, RMB71.9 million, RMB70.8 million and RMB75.5 million. Our lease liabilities decreased by RMB1.7 million for the year ended December 31, 2021 when compared to that of the previous year, and the decrease was primarily attributable to (i) the disposal of Yu'an Hengchuang, which led to decrease in lease liability by RMB0.6 million; and (ii) the rental payment by Shan'an Bluesky in respect of the leasing of heating pipeline network, leading to the decrease in lease liabilities by RMB1.1 million. As for the year ended December 31, 2022, our lease liabilities have further decreased by RMB1.1 million as a result of further payments of our rental fees based on the payment schedule as stipulated in the relevant contracts, thus leading to a decrease in our lease liabilities. For the six months ended June 30, 2023, our lease liabilities increased to RMB75.5 million, which was primarily attributable to the entering into of a new lease of a piece of land by Jinzhong Shan'an Lide Solid Waste Utilization Technology Company Limited (晉中山安立德固廢利用科技有限公司).

As of the Latest Practicable Date, we were not subject to any material restrictive covenant in our borrowings. Our Directors confirm that we did not have any material defaults in payment of bank borrowings and other debt financing obligations or breaches of any restrictive covenants during the Track Record Period. Except for incurring additional bank borrowings, we currently have no material external debt financing plan before or shortly after the Global Offering.

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date.

Financial guarantees

As of December 31, 2020, 2021 and 2022 and June 30, 2023, we have provided financial guarantees to our subsidiaries and related parties amounting to approximately RMB3,912.7 million, RMB2,569.5 million, RMB3,237.5 million and RMB3,772.6 million respectively. Amongst which, as of December 31, 2022 and June 30, 2023, we provided the financial guarantees to related parties as a joint guarantor with other shareholders of the project company for the bank loans procured for the financing of a construction project of a sewage treatment plant in Gaoping City. Given that such guarantees have been provided by us on (i) normal commercial terms; (ii) in proportion to our equity interest in the project company under the Listing Rules; (iii) on several basis; and (iv) the other shareholders of the project company are not connected persons of our Company, the transaction will constitute a financial assistance to affiliated companies under the Listing Rules upon Listing. Upon Listing, as the highest applicable percentage ratios (as defined under the Rule 14.07 of the Listing Rules) in respect of the guarantees are less than 5%, the transaction will be exempted from announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. As of June 30, 2023, the outstanding balance of the relevant financial guarantees amounted to RMB8.1 million. Such financial guarantees issued by our Group are expected to be released upon maturity and full repayment of the relevant bank loans, and will not be released prior to or upon Listing. As of December 31, 2020, 2021 and 2022 and June 30, 2023, the unutilized balances of financial guarantees amounted to approximately RMB1,446.2 million, nil, RMB802.3 million and RMB1,218.2 million, respectively. Based on the low default rate and good financial position of the relevant subsidiaries and related party, our Directors consider the fair value of the financial guarantee contracts at initial recognition and at the end of each reporting period to be immaterial.

CONTINGENT LIABILITIES

A number of lawsuits and claims arising from the normal course of business were lodged against our Group which remain outstanding as at the end of the Track Record Period. For the details of the material on-going litigation against our Group in respect of these lawsuits, please refer to the section headed "Business – Legal and Regulatory Compliance – Legal Proceedings" in this prospectus.

CAPITAL EXPENDITURES

In the past, we incurred capital expenditures primarily for property, plant and equipment, right-of-use assets and intangible assets. The following table sets forth the components of our capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	162,806	203,128	247,115	138,958
Right-of-use assets	38,209	62,381	6,193	22,907
Intangible assets	264	1,282	511	74
Total	201,279	266,791	253,819	161,939

COMMITMENTS

Operating lease commitments

As lessor

We lease out certain investment properties under operating lease arrangements. As of the dates indicated, we had contracted with tenants for the following future minimum lease payments:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	7,964	10,226	7,284	4,370
In the second to fifth year	15,945	10,298	2,402	1,389
	23,909	20,524	9,686	5,759

As lessee

We rent certain buildings as production facilities and office premises under short-term lease arrangements. We had commitments for future minimum lease payments under non-cancellable short-term leases as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,614	2,708	1,701	3,673

Capital commitments

In addition to the operating lease commitments, we had the following commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	46,965	31,005	30,200	39,626
Commitment to contribute capital to associates	–	86,660	104,460	123,835
	46,965	117,665	134,660	163,461

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2023, being the date of our most recent financial statements, we did not have any off-balance sheet arrangements.

Financial Ratios

The table below sets forth a summary of our key financial ratios as of the dates or for the years/periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2020	2021	2022	2023
Current ratio (time)[(1)]	1.0	1.0	1.0	1.0
Quick ratio (time)[(2)]	1.0	1.0	1.0	1.0
Gearing ratio (%)[(3)]	173.9	211.7	241.8	271.9
Net debt to equity ratio (%)[(4)]	113.1	143.7	146.4	171.2
Return on assets (%)[(5)]	2.1	1.1	0.9	0.5
Return on equity (%)[(6)]	14.6	7.5	8.3	4.6

Notes:

(1) Current ratio is calculated based on the total current assets divided by the total current liabilities as of the end of the respective year/period.

(2) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year/period.

(3) Gearing ratio is calculated by dividing total interest-bearing borrowings by total equity as at the end of the respective year/period and multiplied by 100%.

(4) Net debt represents total interest-bearing borrowings net of cash and cash equivalents and restricted bank deposits, divided by total shareholders' equity as at the end of the respective year/period multiplied by 100%.

(5) Return on assets is calculated based on the profit for the relevant year/period divided by total assets as at the end of the respective year/period multiplied by 100%.

(6) Return on equity is calculated based on the profit attributable to owners of our Company for the relevant year/period divided by equity attributable to owners of our Company as at the end of the respective year/period multiplied by 100%.

Current ratio

Current ratio represents current assets divided by current liabilities at the end of each year. Our current ratio remained stable during the Track Record Period.

Quick ratio

Quick ratio represents current assets (excluding inventory) divided by current liabilities at the end of each year. Our quick ratio remained stable during the Track Record Period.

Gearing ratio

Gearing ratio represents total interest-bearing borrowings divided by total equity at the end of each year. Our gearing ratio increased from 241.8% as of December 31, 2022 to 271.9% as of June 30, 2023 mainly due to increase in our interest-bearing borrowings for our daily operation. Our gearing ratio increased from 173.9% as of December 31, 2020 to 211.7% as of December 31, 2021, and further increased to 241.8% as of December 31, 2022, which was mainly due to increase in borrowings by RMB1,161.6 million as of December 31, 2021, and RMB1,134.7 million as of December 31, 2022, respectively.

Net debt to equity ratio

Net debt represents total interest-bearing borrowings net of cash and cash equivalents and restricted bank deposits, divided by total shareholders' equity at the end of each year. Our net debt to equity ratio increased from 113.1% as of December 31, 2020 to 143.7% as of December 31, 2021, mainly due to the increase in the Company's borrowings. Our net debt to equity ratio increased from 143.7% as of December 31, 2021 to 146.4% as of December 31, 2022 mainly due to increase in borrowings during such period, which was partially offset by (i) the increase in profit for the year which led to the increase in total equity; and (ii) increase in cash and cash equivalent. Our net debt to equity ratio increased from 146.4% as of December 31, 2022 to 171.2% as of June 30, 2023 mainly due to (i) our balance for interest-bearing borrowings increased in order to finance our daily operation; and (ii) the declaration of cash dividend of RMB71.7 million during the six months ended June 30, 2023.

Return on assets

Return on assets is our profit for the relevant year/period divided by our total assets for each year/period. Our return on asset decreased from 2.1% in 2020 to 1.1% in 2021, mainly because profit for the year in 2021 decreased by RMB94.2 million compared with 2020. Our return on assets decreased from 1.1% in 2021 to 0.9% in 2022 mainly because our net assets has increased from RMB2,014.1 million in 2021 to RMB2,232.9 million in 2022, thus slightly diluting the return on assets ratio. Our return on asset for the six months ended June 30, 2023 was 0.5%.

Return on equity

Return on equity is our profit attributable to owners of our Company for the relevant year/period divided by equity attributable to owners of our Company as at the end of the year/period. Our return on equity decreased from 14.6% in 2020 to 7.5% in 2021, primarily because profit attributable to owners of our Company for the year in 2021 decreased by RMB91.5 million compared with 2020 and the share capital has increased from RMB800 million to RMB1 billion. Our return on equity increased from 7.5% in 2021 to 8.3% in 2022, which is primarily attributable to an increase of profit for the year by RMB12.4 million and the increase of equity attributable to equity holders of the Company by RMB133.8 million from 2021 to 2022. Our return on equity for the six months ended June 30, 2023 was 4.6%.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various types of market risks in the ordinary course of our business, including interest rate risk, credit risk and liquidity risk. We manage our exposure to these and other market risks through regular operating and financial activities.

For details, please see notes 52 in the Accountants' Report included in Appendix I to this prospectus.

PROPERTY INTEREST AND PROPERTY VALUATION

As of June 30, 2023, we did not have any property interests with a carrying amount representing 15% or more of our total consolidated assets. Accordingly, this prospectus is exempted from compliance with the requirement of submitting valuation reports for all property interests of the Group in buildings set out in section 34(2)of Schedule III to the Companies (Winding Up and Miscellaneous Provisions) Ordinance referred to in the section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in accordance with Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DIVIDEND

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

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

In each of 2020 and 2021, we declared and paid cash dividends of RMB99.7 million and RMB113.5 million, respectively. Our Group declared dividends of RMB28.8 million to our Shareholders on March 2, 2022, and we have settled such dividend distributions in cash. During the six months ended June 30, 2023, we declared dividends of RMB71.7 million to our Shareholders. During the Track Record Period, our method and factors taken into account when deciding on distribution of dividends have complied with the spirit of the Notice of the State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province on the Preparation of the Proposed Draft State-owned Capital Operating Budget of Provincial Enterprises for the Year 2020 (Jin Guozi Capital Letter [2019] No. 395) and the assessment requirements of the SCIG Group(Note).

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

DISTRIBUTABLE RESERVES

As of June 30, 2023, our Company had reserves available for distribution to our shareholders in an aggregate amount of RMB823.2 million.

Related-Party Transactions

We enter into transactions with our related parties from time to time. Our Directors believe that each of the related-party transactions set out in note 49 in the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's-length basis between the relevant parties and was entered into on normal commercial terms. Our Directors are also of the view that our related-party transactions during the Track Record Period would not distort our track record results or make our historical results not indicative of our future performance.

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

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, save as disclosed in the section headed "Summary – Recent Development" in this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2023 (being the date to which our latest consolidated audited financial results were prepared) and there is no event since June 30, 2023, which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets

For details of our unaudited pro forma adjusted consolidated net tangible assets, see Appendix II to this prospectus.

Disclosure Required under the Listing Rules

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

Listing Expenses

We estimate that our total listing expenses in relation to this Global Offering will be approximately RMB68.8 million representing 10.1% of the gross proceeds from the Listing, (including underwriting commissions of approximately RMB23.9 million, representing 3.5% of the gross proceeds from the Listing, and non-underwriting-related expenses of approximately RMB44.9 million, representing 6.6% of the gross proceeds from the Listing, which consist of fees and expenses for legal advisors and accountants of approximately RMB30.7 million, representing 4.5% of the gross proceeds from the Listing, and other fees and expenses of approximately RMB14.3 million, representing 2.1% of the gross proceeds from the Listing) (based on the midpoint of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised), of which a total amount of RMB33.7 million is directly attributable to the issue of our H Shares and will be deducted from equity. The remaining RMB35.1 million had been and will be charged to the consolidated statement of comprehensive income. Among which, we incurred listing expenses in relation to the Global Offering of RMB16.8 million during the Track Record Period, and the rest will be charged to the consolidated statement of comprehensive income for the year ending December 31, 2023.

FUTURE PLANS

Please refer to "Business – Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of HK$668.3 million from the Global Offering, assuming that an Offer Price of HK$2.23 per share (being the mid-point of the indicative Offer Price range) and the Over-allotment Option is not exercised, and after deducing the underwriting commissions and other estimated expenses payable by us in connection with Global Offering. We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 50% (or HK$334.1 million) to be used for financing new energy projects of our Company. To implement the development strategy of "investment diversification and the integration of investment, construction and operation", we intend to apply the proceeds allocated hereunder for equity investments for new energy project. We intend to cooperate with other private entities in investing in and building privately-owned facilities and generate profit through the operation of such facilities. Detail breakdown of the proceeds to be applied for new energy projects is set out as follows:

  (i) approximately 30% (or HK$200.5 million) to be used for financing our existing and new photovoltaic projects, major expenditures include payment used in investment in the establishment of a project company, purchase of equipments such as photovoltaic modules and inverters, purchase of raw materials such as steel, cement and concrete, construction costs and provision of operating funds, etc, in the name of the project company including:

    (a) approximately 20% to be used for financing our future centralized photovoltaic projects. Our Construction Enterprise Qualification Certificate is valid until December 31, 2023, pursuant to which we are eligible to undertake power engineering construction projects. Accordingly, based on our prior experience, the Directors believe that there is no legal impediment to obtain the requisite project filling certificates and approvals. The proceeds allocated hereunder are proposed to be used to pay up the registered capital of the relevant project company. We plan to utilize the proceeds allocated to our centralized photovoltaic projects within two years after the Listing; and

    (b) approximately 10% to be used for financing our investment in existing and future distributed photovoltaic projects, including the 1.52MW rooftop photovoltaic project in Shanxi Construction Industry Modernization Xiaohe Park Phase II (Plant 2#) and the 2.94MW rooftop photovoltaic project in Shanxi Construction Jindongnan Industrial Park, all of which the project filing certificates have been obtained as at the Latest Practicable Date. It is expected that proceeds allocated to this segment will be utilized within two years after the Listing.

(ii) approximately 10% (or HK$66.8 million) to be used for our future investment in wind power projects in the PRC or abroad. Proceeds allocated for investment in wind power projects are intended to be used to acquire equity interest in project company(ies) or used in investment in the establishment of a project company by way of paid-up registered capital of such project company, purchase of equipment such as wind turbines and towers, main transformer equipment, purchase of raw materials such as steel, cement and concrete, construction costs and provision of operating funds, etc (depending on actual demands of the projects at the relevant time) through the project company. If we invest in wind power projects by acquiring equity interest in project company(ies), our selection criteria for acquisition target(s) includes whether all applicable certificates and permits have been obtained from relevant governments or approval authorities in relation to such projects as well as the location, development potential, and investment return of such project(s). We expect the proceeds allocated for our wind power project will be utilised within three years from the Listing, subject to availability of suitable investment opportunities. As at the Latest Practicable Date, we have yet to identify any suitable acquisition targets.

(iii) approximately 10% (or HK$66.8 million) to be used for financing the future equity investment in and/or construction of other types of new energy projects and it is expected that the proceeds will be utilised within three years from the Listing. We intend to use part of the proceeds for the development of energy storage business (including pumped-storage hydroelectricity (抽水蓄能) business, compressed air energy storage (壓縮空氣儲能) business and other energy storage businesses) of the Company. According to Frost & Sullivan, the PRC's new energy sector is growing following the transition towards a service-based economic mode which places the emphasis on electricity, natural gas and cleaner, high-efficiency and digital technologies. Market size of new energy industry works by total output value in the PRC increased from RMB1,775.7 billion in 2017 to RMB2,831.9 billion in 2022, at a CAGR of 9.8%. Benefited from the supportive government policies, namely the New Energy Law of the People's Republic of China, growing energy needs in the PRC and increasing investment in new energy, market size of new energy industry works by total output value in the PRC is expected to reach RMB4,501.8 billion in 2027, at a CAGR of 9.7%. In particular, according to Frost & Sullivan, Shanxi is the PRC's first pilot province for comprehensive energy revolution reforms and is in the transition to a low-carbon energy structure, aligning itself with the country's goal to peak carbon emission by 2030 and reach carbon neutrality by 2060, and it is expected that the market size of new energy industry works by total output value in Shanxi Province will reach RMB178.2 billion by 2027, at a CAGR of 13.3% from 2023 to 2027. Our Company intend to ride on the rapid development trend in the new energy sector in Shanxi and to further expand our business in the new energy sector, thus to capture and capitalize the market opportunity thereof. We plan to invest in development and construction project(s) of energy storage business. As at the Latest Practicable Date, we have yet to identify any suitable investment opportunities.

We believe that the investments in wind power, photovoltaics and other types of new energy projects by our Company in the future will help to accelerate the development of new energy business and consolidate our position in the relevant market. We expect that the new energy industry will continue to develop rapidly, in particular, wind energy and solar energy will embrace technological breakthroughs and industrial scale expansion. According to Frost & Sullivan, new energy industry are growing fast in the PRC, with market size of projects by total output value in the PRC increasing from RMB1,775.7 billion in 2017 to RMB2,831.9 billion in 2022, at a CAGR of 9.8%. Benefited from the supportive government policies, growing energy needs in the PRC and increasing investment in new energy, market size of new energy industry projects by total output value in the PRC is expected to reach RMB4,501.8 billion in 2027, at a CAGR of 9.7%.

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

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

- approximately 32% (or HK$213.9 million) to be used for financing our equity investment commitment by way of paying up the registered capital of the relevant project companies established for our existing and new PPP projects. Part of the proceeds allocated hereunder will be used to finance other construction projects of our Company such as clean heating, distributed energy, water treatment and solid waste disposal, and major expenditures of which include payment used in investment and establishment of project companies, as well as purchase of equipment, raw materials such as steel, cement and concrete, construction costs and provision of operating funds, etc, through the relevant project companies. Detail breakdown of the use of proceeds allocated hereunder is set out as below:

  (i) approximately 4% to be used for financing our existing and future clean heating projects including the Chaha'er Youyi Houqi Heat Power Generation concession project. We intend to invest in clean heating projects after investigating the current situation of heating supply in and out of Shanxi Province, paying close attention on the information of local governments on shutting down small furnaces, and its plan towards heat-consumption enterprises. It aims to focus on promoting the realization of clean heating in the form of long-distance transmission pipelines, and to bidding and undertaking clean heating projects with a wide range of qualifications. We expect the proceeds allocated for our clean heating project will be utilised within three years from the Listing, subject to availability of suitable investment opportunities. As at the Latest Practicable Date, we have yet to identify any suitable investment targets.

  (ii) approximately 5% to be used for financing our future distributed energy projects, we have identified and currently under negotiation a rooftop photovoltaic power generation project located at an industrial park in Taiyuan, Shanxi and other rooftop photovoltaic projects in Shanxi, we are actively communicating with relevant industrial parks and/or companies and negotiating relevant cooperation terms of respective construction projects, and the proceeds allocated to such projects are expected to be utilised within 18 months from Listing. As at the Latest Practicable Date, we have yet to confirm any projects hereunder.

  We seized the business opportunities for distributed energy in the construction industrial park where SCIG Group operates to further optimize the cooperation mode with the industrial park and made the above investments. We investigated the demands of integrated energy services and proposed integrated energy plans where appropriate, and thereby building quality brands with these projects, so that we can rapidly expand to external markets.

  (iii) approximately 5% will be used for financing our existing water treatment projects. It is expected that the proceeds allocated for our water treatment projects will be utilised within six months from Listing;

We aim to adopt a combination of top-level design and grass-roots promotion to promote the implementation of the projects of wastewater treatment in organic towns in various regions.

(iv) approximately 4% will be used for financing our future solid waste disposal projects. We have identified a few potential domestic waste treatment projects in several cities including Taiyuan, Jincheng, Yangquan, and Changzhi and the proceeds allocated hereunder are expected to be utilised within three years from Listing. As at the Latest Practicable Date, we have yet to confirm any projects hereunder;

The aforesaid investments were based on the current situation of the construction of urban and rural domestic waste treatment projects in the county areas in Shanxi Province, as well as industry policies, market prospects and actual situation of the corporate. We aim to become the principal of the implementation of urban and rural domestic waste treatment projects in the county areas in Shanxi Province, undertaking all the urban and rural domestic waste treatment projects in Shanxi Province, in order to realize the integration of investment, construction, operation and management.

(v) approximately 3% will be used for the existing PPP Project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park of Yangquan Economic and Technological Development Zone, and major expenditures will be used for paying up the registered capital of the project company and the payment of construction fee, including for purchase of equipments required such as substation, intelligent platform, purchase of raw materials such as steel, cement and concrete, construction and installation costs, other construction costs and provision of operating funds, etc, subject to the actual use to be resolved by the project company;

In March 2022, we entered into the PPP project contract with Yangquan Suburban District Bureau of Commerce, pursuant to which, we were responsible for the investment and financing, construction, operation and maintenance of supporting facilities of the park roads and related municipalities of planned construction of the Weibo starting Area with a total of 5,000,000 sq.m. in the suburban Yinying Industrial Park and Yinying Industrial Park in Hedi Town. The total investment of the project is RMB650 million and the registered capital of the project company is RMB130 million, of which we contributed RMB104 million. The project adopts the BOT model with a cooperation period of 30 years, which is divided into a 2-year construction period and a 28-year operation period. It is expected to be completed and put into operation in March 2024. After the expiration of each operating year, the government will pay us the corresponding viability gap funding of the government according to the performance evaluation results, including the availability service fee, operation and maintenance performance service fee and user income calculated according to the established formula. After the expiration of the cooperation period, given satisfactory performance record, we will enjoy the priority to continue to operate under the same conditions. It is expected that the proceeds allocated for the aforesaid PPP project in Yangquan will be utilised within one year from Listing.

(vi) approximately 5% will be used for the existing PPP Project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province, for making payment of the construction fee for purchase of equipments required such as supporting facilities of the new party school, purchase of raw materials such as steel, cement and concrete, construction and installation costs, other construction costs and provision of operating funds, etc;

In April 2022, we entered into a PPP project contract with the Housing and Urban-Rural Development Bureau of Qinshui County, Jincheng City, Shanxi Province, pursuant to which, we were responsible for the construction of a new party school with a total GFA of 32,058 sq.m. and the investment and financing, construction, operation and maintenance of the Qinshui East Link Traffic Hub Project with a total route length of approximately two kilometres. The total investment amount of these projects is RMB854.3 million and the registered capital of the project company is RMB130 million, of which we contributed RMB68.3 million. The project adopts the BOT model with a cooperation period of 22 years, which is divided into a 2-year construction period and a 20-year operation period. It is expected to be completed and put into operation in June 2024. We receive viability gap funding and government grants in accordance with the established formula. After the expiration of the cooperation period, given satisfactory performance record, we will enjoy the priority to continue to operate under the same conditions. As of the Latest Practicable Date, the project has entered construction stage and the proceeds allocated hereunder are expected to be utilised within one year from Listing.

(vii) approximately 6% will be used for our existing and future PPP projects including the PPP Project of Urban Flood Control and Drainage and Comprehensive Treatment of Ecological Environment in Zhangzi County, Changzhi City, the new PPP project which we won the tender of the project in late 2022. As of the Latest Practicable Date, we were at the preliminary preparation stage of new PPP project and the proceeds allocated hereunder are expected to be utilised within two years from Listing as paid-up registered capital of the relevant project company(ies).

- approximately 10% (or HK$66.8 million), to be used for financing new energy projects of upstream and downstream manufacturing industries, major expenditures include the payment used in purchase of tower production line equipments and related ancillary facilities, purchase of raw materials such as steel, cement and concrete and construction of the park, etc, including: (i) approximately 5% to be used for our existing heavy-steel structure plant base and such proceeds are expected to be used to fund part of the paid-up registered capital and within 18 months from Listing; and (ii) approximately 5% to be used for financing our future equity investment in other upstream and downstream manufacturing industries related to construction works, for example, equity investment in industrial park with production line for construction equipments. Currently, we are conducting feasibility study for investing in different upstream-downstream industries related to construction works. Selection criteria for investment targets(s) hereunder include but not limited to the potential synergistic effect of such investment target and our existing business, the expected return of such investment, business scale of available targets(s), market potential of the industry that the investment target(s) is/are engaged in and etc. Subject to the availability of investment target(s), we expect the proceeds allocated to future investment in upstream and downstream manufacturing industry projects will be utilised within two years after Listing. As at the Latest Practicable Date, we have not identified any suitable investment opportunities.

- approximately 8% (or HK$53.5 million), to be used for working capital and general corporate purposes, and such proceeds will be utilised within six months from Listing.

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

The following table sets forth a breakdown and timeframe of the utilization of the proceeds:

Intended use of proceeds	**Within 6 months after Listing** *HKD'000*	**Within 12 months after Listing** *HKD'000*	**Within 18 months after Listing** *HKD'000*	**Within two years after Listing** *HKD'000*	**Within three years after Listing** *HKD'000*	**Total** *HKD'000*
Financing our new energy projects						
• Wind power project	–	–	–	–	66,828	66,828
• Photovoltaic projects						
o *Centralized photovoltaic projects*	–	–	–	133,655	–	133,655
o *Distributed photovoltaic projects*	–	–	–	66,827	–	66,827
• Other type of new energy projects	–	–	–	–	66,827	66,827
Sub-total:	–	–	–	200,482	133,655	334,137
Financing our equity investment commitment in future and current PPP projects						
• Clean heating projects	–	–	–	–	26,731	26,731
• Distributed energy projects	–	–	33,414	–	–	33,414
• Water treatment projects	33,414	–	–	–	–	33,414
• Solid waste disposal projects	–	–	–	–	26,731	26,731
• PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone	–	20,048	–	–	–	20,048
• Quality Improvement PPP Projects in Qinshui County	–	33,414	–	–	–	33,414
• Other PPP projects	–	–	–	40,096	–	40,096
Sub-total:	33,414	53,462	33,414	40,096	53,462	213,848

Intended use of proceeds	Within 6 months after Listing *HKD'000*	Within 12 months after Listing *HKD'000*	Within 18 months after Listing *HKD'000*	Within two years after Listing *HKD'000*	Within three years after Listing *HKD'000*	Total *HKD'000*
Financing new energy projects of upstream and downstream manufacturing industries						
• Heavy steel structure plant base	–	–	33,414	–	–	33,414
• Other future equity investment in upstream and downstream manufacturing industries	–	–	–	33,414	–	33,414
Sub-total:	–	–	33,414	33,414	–	66,828
Working capital and general corporate purpose	53,462	–	–	–	–	53,462
Total:	86,876	53,462	66,828	273,992	187,117	668,275

Assuming an Offer Price of HK$2.23 per Share, being the mid-point of the indicative Offer Price range, if the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares will be approximately HK$107.6 million, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering. We intend to use such additional net proceeds for the above uses on a pro rata basis.

If the Offer Price is fixed at HK$2.36 per H Share, being the high-end of the indicative Offer Price range, and given that the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$43.3 million. If the Offer Price is fixed at HK$2.1 per H Share, being the low-end of the indicative Offer Price range, and given that the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$43.3 million. If the Offer Price is set above the mid-point of the indicative Offer Price range, we intend to apply the additional amounts towards to the above uses on a pro rata basis. If the Offer Price is set below the mid-point of the indicative Offer Price range, we intend to reduce the amounts allocated to the above uses on a pro rata basis.

If the Offer Price is fixed at HK$1.89 per Offer Share in the event that we make a Downward Offer Price Adjustment, the net proceeds we receive will be approximately HK$558.9 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. The estimated net proceeds we will receive from the Global Offering will be reduced by approximately HK$67.6 million. (i.e. decrease from HK$626.5 million to HK$558.9 million).

To the extent our net proceeds are further reduced due to the adoption of Downward Offer Price Adjustment, we will adjust the above allocation of the net proceeds from the Global Offering on a pro rata basis.

If the net proceeds of the Global Offering are not immediately applied to the above purposes, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions in Hong Kong and the PRC (as defined under the SFO, the Law of the PRC on Commercial Banks (2015 Amendments) (《中華人民共和國商業銀行法(2015修正)》) and the Implementation Measures of the China Banking and Insurance Regulatory Commission for the Administrative Licensing Items Concerning Non-banking Financial Institutions (《中國銀保監會非銀行金融機構行政許可事項實施辦法》)).

HONG KONG UNDERWRITERS

Shanxi Securities International Limited
Huatai Financial Holdings (Hong Kong) Limited
BOCOM International Securities Limited
China Everbright Securities (HK) Limited
CMB International Capital Limited
Futu Securities International (Hong Kong) Limited
ICBC International Capital Limited
Zhongtai International Securities Limited
Eddid Securities and Futures Limited
Patrons Securities Limited
Victory Securities Company Limited
ZMF Asset Management Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 10% Hong Kong Offer Shares and the International Offering of initially 90% International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price.

Subject to, among other conditions, (a) the Stock Exchange granting approval for listing of, and permission to deal in, the Shares to be offered under the Global Offering as mentioned in this prospectus (including any additional Shares which may be issued upon the exercise of the Over-Allotment Option and upon the exercise of the Post-IPO Share Option) and such approval not having been subsequently revoked and (b) certain other conditions set out in the

Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Global Coordinators, the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) has the right, in their sole and absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement by giving notice in writing to our Company, if they see fit upon the occurrence of any of the following events:

(a) there has come to the notice of the Joint Global Coordinators, the Joint Sponsors or the Overall Coordinators:

(i) any material breach of any of the warranties, obligations or undertakings imposed upon our Company or our Controlling Shareholder to any provision of the Underwriting Agreements; or

(ii) any statement contained in this prospectus, the Application Forms, announcement or the formal notice (the "**Public Offer Documents**") to be published by us in connection with the Hong Kong Public Offering, was or has become or been discovered to be untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation expressed in any of the Public Offer Documents is not, fair and honest and based on reasonable assumptions, when taken as a whole; or

(iii) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Public Offer Documents or to the issue of any of the Public Offer Documents; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of our Company under the Hong Kong Underwriting Agreement pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement; or

(v) any adverse change or development involving a prospective adverse change in the assets, liabilities, conditions, business, general affairs, management prospects, profits, losses or the financial or trading position or performance or management of our Group; or

(vi) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from this prospectus, the Application Forms, announcement or the formal notice or other documents issued or used by our Company in connection with the Hong Kong Public Offering; or

(vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted (other than subject to customary conditions) or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(b) there shall develop, occur, exist or come into effect:

(i) any material change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material fluctuation in the exchange rate of the Hong Kong dollar or the RMB against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom, or the European Union (or any member thereof) (the "**Relevant Jurisdictions**"); or

(ii) any new law or regulation or any change or development involving a prospective change or any event or circumstances likely to result in a change or development involving a prospectus in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) any event, or series of events, beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, Middle East Respiratory Syndrome, avian influenza (H5N1 and H7N9), Swine Flu (H1N1), Ebola, Zika, novel coronavirus or such related or mutated forms) or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

(iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for Relevant Jurisdictions; or

(vi) any material change or prospective change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(vii) the commencement by any governmental, regulatory or political body or organization of any action against an executive Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organization that it intends to take any such action; or

(viii) material non-compliance by our Company with this prospectus (and/or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect or this Global Offering with the Listing Rules or any other applicable regulation; or

(ix) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(x) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(xi) any material contravention by any member of our Group or any Director of the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the SFO or any of the Listing Rules;

which in the sole opinion of the Joint Global Coordinators, the Joint Sponsors or the Overall Coordinators (for themselves and on behalf of Hong Kong Underwriters) and after consultation with our Company:

(a) is or shall have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole or in the case of (ix) above, to any present or prospective Shareholder in his, her or its capacity as such; or

(b) has or shall have or could reasonably be expected to have a material adverse effect on the success, marketability of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

Undertakings to the Stock Exchange under the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) without the prior consent of the Stock Exchange, except (a) pursuant to the Global Offering and the Over-allotment Option, or (b) any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholder

Pursuant to Rule 10.07(1) of the Listing Rules and Guidance Letter HKEX-GL89-16, our Controlling Shareholder has undertaken to the Stock Exchange and the Company that, except pursuant to the Global Offering and the Over-allotment Option it shall not and shall procure that the relevant registered holder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save for using as security, including a pledge or a charge, in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owners; and

(b) in the period of six months commencing on the date on which the period mentioned in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save for using as security, including a pledge or a charge, in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be our Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules and Guidance Letter HKEX-GL89-16, our Controlling Shareholder has also undertaken to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any Shares or other securities of our Company beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) when it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder and disclose such matters by way of an announcement as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

We have undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Overall Coordinators and the Hong Kong Underwriters that we shall not, and, each of our Company, the executive Directors and our Controlling Shareholder jointly and severally undertake to the Hong Kong Underwriters to procure, except pursuant to the Global Offering and the Over-allotment Option as mentioned in this prospectus or with the prior written consent of the Joint Global Coordinators , the Joint Sponsors or the Overall Coordinators (on behalf of the Hong Kong Underwriter(s)) (such consent not to be unreasonably withheld or delay), and unless in compliance with the requirements of the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**") that:

(a) our Company will not offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or

(b) our Company will not, and will procure that our subsidiaries and branches will not, enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or

(c) our Company will not, and will procure that our subsidiaries and branches will not, enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

(d) our Company will not, and will procure that our subsidiaries and branches will not, agree or contract to, or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above; or

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period); and

(e) our Company will ensure that if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholder

Pursuant to the Hong Kong Underwriting Agreement, our Controlling Shareholder has undertaken to our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Overall Coordinators and the Hong Kong Underwriters that without the prior written consent of the Joint Sponsors, the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of all Hong Kong Underwriters) (which consent not to be unreasonably withheld or delayed) that:

(a) at any time during the First Six-Month Period, it shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Global Coordinators, the Joint Sponsors or the Overall Coordinators (which consent not to be unreasonably withheld or delayed) and unless otherwise in compliance with the requirements of the Listing Rules,

    (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or

    (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein;

    (iii) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in paragraph (a)(i) or (ii) above; or

    (iv) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in paragraph (a)(i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of share or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

(b) at any time during the Second Six-Month Period, it shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Global Coordinators, the Joint Sponsors or the Overall Coordinators (which consent not to be unreasonably withheld or delayed), enter into any of the foregoing transactions in paragraph (a) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be our Controlling Shareholder;

(c) at any time before the expiry of the Second Six-Month Period, in the event that it enters into any transaction referred to in paragraph (a) above or agrees or contracts to or publicly announces any intention to enter into such transactions, it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company;

Our Controlling Shareholder has further undertaken jointly and severally during the first twelve months from the Listing Date, it will:

(a) when it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which it is the beneficial owner, immediately inform our Company, the Joint Sponsors, the Joint Global Coordinators and the Overall Coordinators in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and

(b) when it receives any indication, whether verbal or written, from any pledgee or charge that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Joint Sponsors, the Joint Global Coordinators and the Overall Coordinators in writing of such indications.

Each of our Company and our Controlling Shareholder undertake with the Hong Kong Underwriters that it shall comply with all restrictions and requirements under the Listing Rules (as may be amended from time to time) on the disposal by it or by the registered holder of any Shares or other securities of our Company in respect of which it is, or is shown by this prospectus to be, the beneficial owner.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, inter alia, the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will severally agree to subscribe or purchase or procure subscribers or purchasers for the International Offering Shares being offered pursuant to the International Offering.

Our Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators and the Overall Coordinators on behalf of the International Underwriters at any time from the date of the Price Determination Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering (i.e. Friday, December 15, 2023), to require our Company to allot and issue up to an aggregate of 50,000,000 additional Shares, representing approximately 15.0% of the number of Offer Shares initially offered under the Global Offering, at the same price per Share under the International Offering to cover over-allocations (if any) in the International Offering.

Commission and expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option (the **"Fixed Fees"**).

The Company may, at its sole and absolute discretion, pay to one or more Underwriters an incentive fee up to 1.0% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the **"Discretionary Fees"**). The ratio of fixed fee and discretionary fee payable by the Company to all syndicate members participating in the Global Offering is expected to be approximately 71.43%:28.57% (assuming the Discretionary Fees will be paid in full).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, and such commission will be paid to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$2.23 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$29.9 million.

Assuming an Offer Price of HK$2.23 per Offer Share (which is the mid-point of the Offer Price range), the aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, the AFRC transaction levy, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$75.0 million (assuming the Over-allotment Option is not exercised).

Indemnity

Our Company and the Controlling Shareholder have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Underwriters' interests in our Company

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

Joint Sponsors' independence

Huatai Financial Holdings (Hong Kong) Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. Shanxi Securities International Capital Limited is considered as not to be independent under Rule 3A.07(9) of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

333,334,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 33,334,000 H Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" in this section below; and

(b) the International Offering of initially 300,000,000 H Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the paragraph headed "The International Offering" in this section below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged shares capital immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares (including Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 27.7% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-Allotment Option.

References in this prospectus to applications, the **GREEN** Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 33,334,000 Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 16,666,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 to the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 100,000,000 (in the case of (a)), 133,334,000 (in the case of (b)) and 166,668,000 (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators and the Overall Coordinators deem appropriate.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators and the Overall Coordinators deem appropriate. In addition, the Joint Global Coordinators and the Overall Coordinators may in their sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available under the Hong Kong Public Offering, the Joint Global Coordinators and the Overall Coordinators have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 33,334,000 Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 66,668,000 Offer Shares, representing twice the number of Offer Shares initially available under the Hong Kong Public Offering, and the final Offer Price shall be fixed at the low end of the indicative Offer Price range (i.e. HK$2.10 per Offer Share) or (if a Downward Offer Price Adjustment is made) the final Offer Price after making a Downward Offer Price Adjustment according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate and at their discretion.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Tuesday, November 21, 2023.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$2.36 per Offer Share in addition to the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$4,767.61 for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" in this section below, is less than the maximum Offer Price of HK$2.36 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 300,000,000 Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option).

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis that would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and our Shareholders as a whole.

The Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators and the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "The Hong Kong Public Offering – Reallocation" in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 50,000,000 additional Shares, representing approximately 15.0% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, cover over-allocations (if any) in the International Offering.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 15.0% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilization Manager (or its affiliates or any person acting for it) to conduct any such stabilization action. Such stabilization action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or its affiliates or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager (or its affiliates or any person acting for it) may, in connection with the stabilization action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or its affiliates or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilizing Manager (or its affiliates or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilization action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilization action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilization action; and

(f) stabilization bids or transactions effected in the course of the stabilization action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or by a combination of these methods. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares that can be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 50,000,000 Shares, representing approximately 15.0% of the Shares available under the Global Offering.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on Wednesday, November 15, 2023 and, in any event, no later than Tuesday, November 21, 2023, by agreement between the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$2.36 per Offer Share and is expected to be not less than HK$2.10 per Offer Share (subject to a Downward Offer Price Adjustment), unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$2.36 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK$4,767.61 for one board lot of 2,000 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus (subject to a Downward Offer Price Adjustment).**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer

Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company at **www.sxaz.com.cn** and the Stock Exchange at **www.hkexnews.hk** notices of the reduction. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information that may change as a result of any such reduction.

Our Company will also, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

(a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of such reduction together with an update of all financial and other information in connection with such change;

(b) where appropriate, extend the period under which the Global Offering was open for acceptance to allow potential investors the sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the indicative Offer Price range stated in this prospectus. If the number of Offer Shares and/or the Offer Price is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

If our Company is unable to reach an agreement with the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the Underwriters) on the Offer Price by Tuesday, November 21, 2023 the Global Offering will not proceed and will lapse immediately.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering.

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus.

Announcement of Offer Price Reduction

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the expected Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange (**www.hkexnews.hk**) and the Company's website (**www.sxaz.com.cn**) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Tuesday, November 21, 2023. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval and permission not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by Tuesday, November 21, 2023, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company at **www.sxaz.com.cn** and the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Wednesday, November 22, 2023, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, November 22, 2023, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, November 22, 2023.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 2520.

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.sxaz.com.cn**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service through the designated website at **www.eipo.com.hk** or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their sole discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries and/or branches;
- a Director or chief executive officer or supervisor of our Company and/or any of its subsidiaries and/or branches;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, on the designated website under the **White Form eIPO** service, and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Sole Bookrunner, the Underwriters, the **White Form eIPO** Service Provider their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, the receiving bank(s), the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and on the designated website under the **White Form eIPO** service;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC; and (ii) you have due authority to give electronic application instructions on behalf of that other person as their agent.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provision) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this document acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 2,000 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

SHANXI INSTALLATION GROUP CO., LTD.
(HK$2.36 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
2,000	4,767.61	40,000	95,352.02	600,000	1,430,280.35	4,500,000	10,727,102.70
4,000	9,535.19	50,000	119,190.04	700,000	1,668,660.42	5,000,000	11,919,003.00
6,000	14,302.80	60,000	143,028.03	800,000	1,907,040.48	6,000,000	14,302,803.60
8,000	19,070.41	70,000	166,866.04	900,000	2,145,420.55	7,000,000	16,686,604.20
10,000	23,838.01	80,000	190,704.05	1,000,000	2,383,800.60	8,000,000	19,070,404.80
12,000	28,605.60	90,000	214,542.05	1,500,000	3,575,700.90	9,000,000	21,454,205.40
14,000	33,373.21	100,000	238,380.05	2,000,000	4,767,601.20	10,000,000	23,838,006.00
16,000	38,140.81	200,000	476,760.12	2,500,000	5,959,501.50	12,500,000	29,797,507.50
18,000	42,908.41	300,000	715,140.18	3,000,000	7,151,401.80	15,000,000	35,757,009.00
20,000	47,676.01	400,000	953,520.25	3,500,000	8,343,302.10	16,666,000[1]	39,728,420.80
30,000	71,514.02	500,000	1,191,900.30	4,000,000	9,535,202.40		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, November 10, 2023 until 11:30 a.m. on Wednesday, November 15, 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, November 15, 2023 or such later time under the subsection headed "10. Effect of bad weather on the opening of the application lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this document acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

(a) General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our H Share Registrar.

(b) Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our H Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong;

- agree with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each shareholder of the Company, with each CCASS Participant giving electronic application instructions) to observe and comply with the Company Law, the Special Regulations on Listing Overseas and the Articles of Association of the Company;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

(c) Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

(d) Time for Inputting Electronic Application Instructions(Note 1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **9:00 a.m. to 8:30 p.m., Friday, November 10, 2023**
- **8:00 a.m. to 1:00 p.m., Saturday, November 11, 2023**
- **8:00 a.m. to 8:30 p.m., Monday, November 13, 2023**
- **8:00 a.m. to 8:30 p.m., Tuesday, November 14, 2023**
- **8:00 a.m. to 12:00 noon, Wednesday, November 15, 2023**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, November 10, 2023 until 12:00 noon on Wednesday, November 15, 2023 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, November 15, 2023, the last application day or such later time as described in the paragraph "10. Effect of bad weather on the opening of the application lists" in this section.

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

(e) No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(f) Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

(g) **Personal Data**

The section of the Application Form "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banker, the Overall Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, November 15, 2023, or such later time as described under the section headed "– 10. Effect of Bad Weather on the Opening of the Application Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for Hong Kong Offer Shares are not allowed except by nominees. All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made. If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$2.36 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%. This means that for one board lot of 2,000 Hong Kong Offer Shares, you will pay HK$4,767.61. You must pay the maximum Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and the AFRC transaction levy in full upon application for Hong Kong Offer Shares under the terms set out in the Prospectus.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in "4. Minimum Application Amount and Permitted Numbers" in this section or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage is paid to participants of the Stock Exchange (or the Stock Exchange, as the case may be), the Stock Exchange trading fee is paid to the Stock Exchange, the SFC transaction levy is collected by the Stock Exchange on behalf of the SFC and the AFRC transaction levy is collected by the Stock Exchange on behalf of the AFRC.

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, November 15, 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have any of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, November 15, 2023 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Irrespective of whether a Downward Offer Price Adjustment is made, our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, November 21, 2023 on our Company's website at **www.sxaz.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.sxaz.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, November 21, 2023;
- from the designated results of allocations website at at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8: 00 a.m. on Tuesday, November 21, 2023 to 12:00 midnight on Monday, November 27, 2023; and
- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Tuesday, November 21, 2023 to Friday, November 24, 2023.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Overall Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Overall Coordinators believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$2.36 per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in the section "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, November 21, 2023.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, November 21, 2023. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, November 22, 2023 provided that the Global Offering has become unconditional and the right of termination described in the section "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply through the White Form eIPO Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, November 21, 2023, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates, e-Refund payment instructions or refund cheques.

If you do not collect your share certificate(s) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(b) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, November 21, 2023, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph "Publication of results" above on Tuesday, November 21, 2023. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, November 21, 2023 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, November 21, 2023. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, November 21, 2023.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report (set out on pages I-1 to I-155) prepared for the purpose of inclusion in this prospectus, received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

Grant Thornton
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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANXI INSTALLATION GROUP CO., LTD., HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND SHANXI SECURITIES INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Shanxi Installation Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group"), set out on page I-4 to I-155, which comprises the consolidated statements of financial position of the Group as at December 31, 2020, 2021 and 2022 and June 30, 2023, the statements of financial position of the Company as at December 31, 2020, 2021 and 2022 and June 30, 2023, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on page I-4 to I-155 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 10, 2023 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Director's responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's consolidated financial position as at December 31, 2020, 2021 and 2022 and June 30, 2023, the Company's financial position as at December 31, 2020, 2021 and 2022 and June 30, 2023, and of the consolidated financial performance and consolidated cash flows of the Group for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

Review of interim period comparative financial information

We have reviewed the interim period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2022 and other explanatory information (the "Interim Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Interim Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Note 2 to the Historical

Financial Information. Our responsibility is to express a conclusion on the Interim Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividend

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11/F, Lee Garden Two,
28 Yun Ping Road, Causeway Bay
Hong Kong

November 10, 2023

Kan Kai Ching
Practicing Certificate No.: P07816

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited under separate terms of engagement in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended December 31,			Six months ended June 30,	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*6*	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033
Cost of sales		(8,720,525)	(11,530,441)	(11,002,776)	(4,905,675)	(4,462,039)
Gross profit		1,428,095	1,747,928	1,842,046	842,258	785,994
Other income and gains, net	*6*	120,419	45,574	20,766	9,488	13,202
Change in fair value of investment properties		6,299	796	2,441	1,312	110
Selling and distribution expenses		(379)	(1,046)	(2,083)	(1,156)	(724)
Administrative and other operating expenses		(846,192)	(1,097,753)	(1,190,918)	(478,891)	(452,119)
Listing expenses		–	(4,416)	(7,804)	(6,872)	(4,530)
Finance costs	*7*	(293,755)	(392,610)	(397,208)	(195,731)	(179,180)
Provision for expected credit losses on financial assets, net		(57,827)	(80,562)	(59,979)	(13,953)	(44,139)
Share of (loss)/profit of associates		(2,479)	(5,756)	5,521	6,095	2,310
Profit before tax	*8*	354,181	212,155	212,782	162,550	120,924
Income tax expense	*11*	(71,948)	(24,121)	(12,346)	(26,393)	(10,692)
Profit for the year/period		282,233	188,034	200,436	136,157	110,232
Other comprehensive income/(loss)						
Other comprehensive income/(loss) that will not be subsequently reclassified to profit or loss, net of tax:						
Fair value changes of equity investment at FVOCI, net of tax		1,384	(2,337)	13,703	10,110	842
Remeasurement of defined benefit plan, net of tax		–	–	(2,322)	–	323
Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax:						
Exchange differences on translation of financial statements of foreign operations		602	486	358	628	(30)
Other comprehensive income/(loss), net of tax		1,986	(1,851)	11,739	10,738	1,135
Total comprehensive income for the year/period		284,219	186,183	212,175	146,895	111,367

		Year ended December 31,			Six months ended June 30,	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Profit for the year/period attributable to:						
Equity holders of the Company	*12*	216,356	124,830	150,882	107,693	84,465
Non-controlling interests		65,877	63,204	49,554	28,464	25,767
		282,233	188,034	200,436	136,157	110,232
Total comprehensive income for the year/period attributable to:						
Equity holders of the Company		218,342	122,979	162,621	118,431	85,600
Non-controlling interests		65,877	63,204	49,554	28,464	25,767
		284,219	186,183	212,175	146,895	111,367
Earnings per share attributable to equity holders of the Company						
Basic and diluted (in RMB per share)	*14*	0.31	0.14	0.15	0.11	0.08

Consolidated Statements of Financial Position

	Notes	As at December 31, 2020	2021	2022	As at June 30, 2023
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	15	748,458	823,100	972,349	1,068,584
Investment properties	16	182,748	183,679	186,120	186,230
Right-of-use assets	17	119,657	173,774	170,662	186,363
Intangible assets	18	604	1,436	1,219	954
Goodwill	19	15,000	15,000	15,000	15,000
Contract assets	20	1,538,069	931,545	1,163,796	1,146,261
Receivables under service concession arrangements	20	969,838	2,104,580	2,405,701	2,475,562
Investments in associates	21	32,609	46,137	183,327	193,941
Other non-current assets	23	15,262	11,714	7,571	3,903
Deferred tax assets	24	43,018	63,955	100,064	107,760
Financial assets measured at FVOCI	25	135,441	122,692	138,813	139,803
		3,800,704	4,477,612	5,344,622	5,524,361
Current assets					
Inventories	27	154,971	141,622	146,240	417,324
Contract assets	20	1,772,362	3,744,227	5,168,704	5,528,445
Receivables under service concession arrangements	20	78,803	308,791	330,658	365,608
Properties under development	28	91,703	–	–	–
Trade receivables and bills receivable	29	4,345,030	5,549,574	6,371,366	6,188,411
Prepayments, deposits and other receivables	30	2,051,044	1,983,573	1,956,437	1,914,734
Restricted bank deposits	31	269,646	328,983	748,105	597,762
Cash and cash equivalents	31	814,814	1,040,579	1,380,892	1,697,117
		9,578,373	13,097,349	16,102,402	16,709,401
Current liabilities					
Trade payables and bills payable	32	4,844,502	7,594,503	9,170,618	9,541,048
Contract liabilities	20	1,105,325	1,407,394	2,166,314	1,710,956
Employee benefits payable	33	50,620	60,041	81,096	80,625
Other payables and accruals	34	2,012,577	1,770,919	1,865,853	1,902,173
Short-term borrowings	35	954,804	1,550,582	2,201,325	2,984,022
Tax payable	36	32,753	15,808	32,704	19,730
Current portion of non-current liabilities	37	320,983	431,702	514,901	828,045
		9,321,564	12,830,949	16,032,811	17,066,599
Net current assets/(liabilities)		256,809	266,400	69,591	(357,198)
Total assets less current liabilities		4,057,513	4,744,012	5,414,213	5,167,163

	Notes	As at December 31, 2020 RMB'000	2021 RMB'000	2022 RMB'000	As at June 30, 2023 RMB'000
Non-current liabilities					
Long-term payable	34	300,000	300,000	300,000	–
Long-term borrowings	35	1,832,557	2,285,492	2,687,191	2,692,764
Lease liabilities	39	70,213	68,329	66,300	70,733
Deferred income	38	–	–	23,000	21,954
Employee benefits payable	33	–	–	30,790	29,090
Deferred tax liabilities	24	70,660	76,118	74,012	72,690
		2,273,430	2,729,939	3,181,293	2,887,231
Net assets		1,784,083	2,014,073	2,232,920	2,279,932
Equity					
Share capital	40	800,000	1,000,000	1,000,000	1,000,000
Reserves		679,646	675,545	809,316	823,238
Equity attributable to equity holders of the Company		1,479,646	1,675,545	1,809,316	1,823,238
Non-controlling interests	41	304,437	338,528	423,604	456,694
Total equity		1,784,083	2,014,073	2,232,920	2,279,932

Consolidated Statements of Changes in Equity

	Attributable to the equity holders of the Company									
	Share capital *RMB'000*	**Capital reserve*** *RMB'000*	**Other reserves*** *RMB'000*	**Translation reserve*** *RMB'000*	**Special reserve*** *RMB'000*	**Statutory surplus reserve*** *RMB'000*	**Retained earnings*** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At January 1, 2020	600,000	50,801	67,853	–	–	37,451	404,870	1,160,975	207,926	1,368,901
Profit for the year	–	–	–	–	–	–	216,356	216,356	65,877	282,233
Other comprehensive income for the year	–	–	1,384	602	–	–	–	1,986	–	1,986
Total comprehensive income for the year	–	–	1,384	602	–	–	216,356	218,342	65,877	284,219
Transactions with owners										
Appropriation of statutory surplus reserve	–	–	–	–	–	8,601	(8,601)	–	–	–
Dividends declared and paid *(Note 13)*	–	–	–	–	–	–	(99,671)	(99,671)	–	(99,671)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	30,634	30,634
Capital injection from equity holders of the Company	200,000	–	–	–	–	–	–	200,000	–	200,000
Provision of special reserve	–	–	–	–	144,517	–	(144,517)	–	–	–
Utilization of special reserve	–	–	–	–	(144,517)	–	144,517	–	–	–
	200,000	–	–	–	–	8,601	(108,272)	100,329	30,634	130,963
At December 31, 2020	800,000	50,801	69,237	602	–	46,052	512,954	1,479,646	304,437	1,784,083

	Attributable to the equity holders of the Company									
	Share capital *RMB'000*	**Capital reserve*** *RMB'000*	**Other reserves*** *RMB'000*	**Translation reserve*** *RMB'000*	**Special reserve*** *RMB'000*	**Statutory surplus reserve*** *RMB'000*	**Retained earnings*** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At January 1, 2021	800,000	50,801	69,237	602	–	46,052	512,954	1,479,646	304,437	1,784,083
Profit for the year	–	–	–	–	–	–	124,830	124,830	63,204	188,034
Other comprehensive (loss)/income for the year	–	–	(2,337)	486	–	–	–	(1,851)	–	(1,851)
Total comprehensive income for the year	–	–	(2,337)	486	–	–	124,830	122,979	63,204	186,183
Transactions with owners										
Appropriation of statutory surplus reserve	–	–	–	–	–	1,171	(1,171)	–	–	–
Dividends declared and paid *(Note 13)*	–	–	–	–	–	–	(113,469)	(113,469)	(22,000)	(135,469)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	9,033	9,033
Capital injection from equity holders of the Company①	200,000	272,206	–	–	–	(46,052)	(226,154)	200,000	–	200,000
Deemed distribution to equity holders of the Company② *(Note 42.3)*	–	(13,694)	–	–	–	–	–	(13,694)	–	(13,694)
Deemed divestment by non-controlling interests	–	–	–	–	–	–	–	–	(16,146)	(16,146)
Provision of special reserve	–	–	–	–	189,153	–	(189,153)	–	–	–
Utilization of special reserve	–	–	–	–	(189,070)	–	189,153	83	–	83
	200,000	258,512	–	–	83	(44,881)	(340,794)	72,920	(29,113)	43,807
At December 31, 2021	1,000,000	309,313	66,900	1,088	83	1,171	296,990	1,675,545	338,528	2,014,073

	Attributable to the equity holders of the Company									
	Share capital *RMB'000*	**Capital reserve*** *RMB'000*	**Other reserves*** *RMB'000*	**Translation reserve*** *RMB'000*	**Special reserve*** *RMB'000*	**Statutory surplus reserve*** *RMB'000*	**Retained earnings*** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2022	1,000,000	309,313	66,900	1,088	83	1,171	296,990	1,675,545	338,528	2,014,073
Profit for the year	–	–	–	–	–	–	150,882	150,882	49,554	200,436
Other comprehensive income for the year	–	–	11,381	358	–	–	–	11,739	–	11,739
Total comprehensive income for the year	–	–	11,381	358	–	–	150,882	162,621	49,554	212,175
Transactions with owners										
Appropriation of statutory surplus reserve	–	–	–	–	–	7,526	(7,526)	–	–	–
Dividends declared *(Note 13)*	–	–	–	–	–	–	(28,767)	(28,767)	–	(28,767)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	35,522	35,522
Provision of special reserve	–	–	–	–	189,249	–	(189,249)	–	–	–
Utilisation of special reserve	–	–	–	–	(189,332)	–	189,249	(83)	–	(83)
	–	–	–	–	(83)	7,526	(36,293)	(28,850)	35,522	6,672
As at 31 December 2022	1,000,000	309,313	78,281	1,446	–	8,697	411,579	1,809,316	423,604	2,232,920

	Attributable to the equity holders of the Company									
	Share capital *RMB'000*	**Capital reserve*** *RMB'000*	**Other reserves*** *RMB'000*	**Translation reserve*** *RMB'000*	**Special reserve*** *RMB'000*	**Statutory surplus reserve*** *RMB'000*	**Retained earnings*** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2022	1,000,000	309,313	66,900	1,088	83	1,171	296,990	1,675,545	338,528	2,014,073
Profit for the period (unaudited)	–	–	–	–	–	–	107,693	107,693	28,464	136,157
Other comprehensive income for the period (unaudited)	–	–	10,110	628	–	–	–	10,738	–	10,738
Total comprehensive income for the period (unaudited)	–	–	10,110	628	–	–	107,693	118,431	28,464	146,895
Transactions with owners										
Appropriation of statutory surplus reserve (unaudited)	–	–	–	–	–	3,624	(3,624)	–	–	–
Dividends declared (unaudited) *(Note 13)*	–	–	–	–	–	–	(28,767)	(28,767)	–	(28,767)
Capital injection from non-controlling interests (unaudited)	–	–	–	–	–	–	–	–	18,349	18,349
Provision of special reserve (unaudited)	–	–	–	–	98,860	–	(98,860)	–	–	–
Utilisation of special reserve (unaudited)	–	–	–	–	(45,031)	–	45,031	–	–	–
	–	–	–	–	53,829	3,624	(86,220)	(28,767)	18,349	(10,418)
As at 30 June 2022 (unaudited)	1,000,000	309,313	77,010	1,716	53,912	4,795	318,463	1,765,209	385,341	2,150,550

	Attributable to the equity holders of the Company									
	Share capital *RMB'000*	**Capital reserve*** *RMB'000*	**Other reserves*** *RMB'000*	**Translation reserve*** *RMB'000*	**Special reserve*** *RMB'000*	**Statutory surplus reserve*** *RMB'000*	**Retained earnings*** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At January 1, 2023	1,000,000	309,313	78,281	1,446	–	8,697	411,579	1,809,316	423,604	2,232,920
Profit for the period	–	–	–	–	–	–	84,465	84,465	25,767	110,232
Other comprehensive income/ (loss) for the period	–	–	1,165	(30)	–	–	–	1,135	–	1,135
Total comprehensive income for the period	–	–	1,165	(30)	–	–	84,465	85,600	25,767	111,367
Transactions with owners										
Appropriation of statutory surplus reserve	–	–	–	–	–	3,982	(3,982)	–	–	–
Dividends declared *(Note 13)*	–	–	–	–	–	–	(71,678)	(71,678)	–	(71,678)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	7,323	7,323
Provision of special reserve	–	–	–	–	65,072	–	(65,072)	–	–	–
Utilisation of special reserve	–	–	–	–	(65,072)	–	65,072	–	–	–
	–	–	–	–	–	3,982	(75,660)	(71,678)	7,323	(64,355)
At 30 June 2023	1,000,000	309,313	79,446	1,416	–	12,679	420,384	1,823,238	456,694	2,279,932

* As of December 31, 2020, 2021 and 2022 and June 30, 2023, these reserves accounts comprise the Group's reserves in the consolidated statement of financial position of RMB679,646,000, RMB675,545,000, RMB809,316,000 and RMB823,238,000, respectively.

① The Company used to be a limited company and was changed to a joint stock limited company as a whole on December 31, 2021. On August 31, 2021, the base date of the share reform, the statutory surplus reserve and retained profit of RMB272,206,000 were converted into capital reserve.

② As of December 31, 2021, Shanxi CIG, the immediate holding company, approved the Company to transfer its 31% equity interest in Shanxi Yu'an Hengchuang Construction Engineering Co., Ltd. (山西譽安恒創建築工程有限公司) ("**Yu'an Hengchuang**") to Shanxi Exquisite Construction Workforce Company Limited at nil consideration, and both the Company and the transferee were under common controlled by Shanxi CIG. On December 31, 2021, the net assets of Yu'an Hengchuang were RMB44,175,000, and the transfer of the 31% equity interest at nil consideration reduced the capital reserve of the Company by RMB13,694,000. Details are set out in Note 42.3.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2020	2021	2022	Six months ended June 30, 2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Profit before tax		354,181	212,155	212,782	162,550	120,924
Adjustments for:						
Finance costs	7	293,755	392,610	397,208	195,731	179,180
Share of loss/(profit) of associates		2,479	5,756	(5,521)	(6,095)	(2,310)
Interest income	6	(38,984)	(24,146)	(14,101)	(6,664)	(7,657)
Dividend income from financial assets measured at FVOCI	6	(330)	(319)	–	–	(86)
Gain on disposal of subsidiaries	42	(3,662)	(9,093)	–	–	–
Gain on disposal of financial assets measured at FVOCI	6	–	(2,441)	–	–	–
Gain on disposal of investments in associates	6	–	(5,506)	–	–	–
Change in fair value of investment properties	16	(6,299)	(796)	(2,441)	(1,312)	(110)
Depreciation of property, plant and equipment	8	65,690	92,508	87,281	43,036	42,206
Depreciation of right-of-use assets	8	5,258	6,865	9,305	3,515	7,206
Amortization of intangible assets	8	401	446	728	404	339
Provision for expected credit losses on contract assets, net	8	2,453	19,427	42,986	8,482	3,472
Provision for expected credit losses on receivables under service concession arrangements, net	8	1,265	12,833	15,373	2,584	1,369
Provision for expected credit losses on trade receivable and bills receivable, net	8	58,826	76,231	48,685	6,196	37,511
(Reversal of provision)/provision for expected credit losses on deposits and other receivables, net	8	(999)	4,331	11,294	7,757	6,628
Written off of prepayment		–	–	–	–	6,919
Provision for contract delayed payment	8	–	–	10,427	–	–
Gain on disposal of property, plant and equipment	8	(216)	(131)	(4,170)	(2,625)	(1,316)
Gain on disposal of assets of disposal groups classified as held for sale	6	(68,138)	–	–	–	–
Operating cash flows before working capital changes		665,680	780,730	809,836	413,559	394,275

	Notes	Year ended December 31, 2020	2021	2022	Six months ended June 30, 2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Increase)/decrease in inventories		(25,794)	13,349	(4,618)	(245,911)	(271,084)
Increase in contract assets		(1,046,986)	(1,384,768)	(1,444,965)	(1,236,165)	(345,678)
Increase in receivables service concession arrangements		(427,166)	(1,377,563)	(338,361)	(456,103)	(106,180)
(Decrease)/increase in contract liabilities		(298,342)	302,069	758,920	881,496	(455,358)
(Increase)/decrease in properties under development		(40,181)	106,332	–	–	–
(Increase)/decrease in trade receivables and bills receivable		(941,767)	(1,285,105)	(870,478)	(803,899)	145,444
Decrease/(Increase) in prepayments, deposits and other receivables		90,300	65,416	19,986	(198,053)	35,075
Increase in trade payables and bills payable		1,063,900	2,750,001	1,576,115	1,575,172	370,430
Increase/(decrease) in other payables and accruals		1,939,749	189,061	(29,125)	242,660	164,497
Increase in deferred income		–	–	23,000	3,000	–
Decrease/(increase) in restricted bank deposits		47,856	(59,337)	(419,122)	(83,420)	150,343
Cash generated from operations		1,027,249	100,185	81,188	92,336	81,764
Income tax paid		(50,918)	(32,670)	(35,944)	(20,180)	(32,890)
Net cash generated from operating activities		976,331	67,515	45,244	72,156	48,874

	Notes	Year ended December 31, 2020	2021	2022	Six months ended June 30, 2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from investing activities						
Interest received		37,682	41,864	12,586	6,664	6,483
Dividends received from financial assets measured at FVOCI		330	319	–	–	86
Purchase of property, plant and equipment		(38,990)	(149,524)	(81,463)	(58,933)	(115,531)
Purchase of right-of-use assets		(28,838)	(60,027)	–	–	(14,711)
Purchase of intangible assets		(264)	(1,282)	(57)	(57)	–
Capitalized expenditures for purchase of service concession arrangements		(1,043,435)	(519,030)	(254,749)	(151,935)	(216,002)
Increase in investment in associates		–	(17,340)	(131,669)	(83,800)	(8,304)
Increase in investment in financial assets measured at FVOCI		(114,964)	–	–	–	–
Proceeds from disposal of property, plant and equipment		18,840	4,822	56	–	94
Proceeds from disposal of subsidiaries, net of cash disposed of		1,786	15,941	10,000	–	–
Proceeds from disposal of disposal groups held for sale		103,762	–	–	–	–
Proceeds from disposal of associates		–	12,398	–	–	–
Proceeds from disposal of financial assets measured at FVOCI		3,000	12,441	–	–	–
Net cash used in investing activities		(1,061,091)	(659,418)	(445,296)	(288,061)	(347,885)

	Notes	Year ended December 31, 2020	2021	2022	Six months ended June 30, 2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from financing activities						
Interest paid		(288,828)	(338,884)	(389,027)	(194,226)	(185,369)
Proceeds from interest-bearing bank borrowings and other borrowings	46	1,638,789	2,186,971	2,648,323	1,307,689	1,874,431
Repayment of interest-bearing bank borrowings and other borrowings	46	(1,657,122)	(1,327,876)	(1,601,624)	(812,131)	(809,895)
Net cash outflows of deemed distribution of the Company		–	(12,757)	–	–	–
Dividends paid to equity holders of the Company		(29,901)	(183,239)	(28,767)	–	–
Dividends paid to non-controlling interests		–	(22,000)	–	–	–
Proceeds from borrowings from related parties	46	153,438	862,844	518,360	363,260	89,220
Repayment of borrowings from related parties	46	(22,467)	(550,171)	(433,997)	(166,324)	(355,079)
Repayment of lease liabilities	46	(7,872)	(6,253)	(8,425)	(4,769)	(5,395)
Capital injection from non-controlling interests		30,634	9,033	35,522	18,349	7,323
Capital injection from equity holders of the Company	40	200,000	200,000	–	–	–
Net cash generated from financing activities		16,671	817,668	740,365	511,848	615,236
Net (decrease)/increase in cash and cash equivalents		(68,089)	225,765	340,313	295,943	316,225
Cash and cash equivalents at the beginning of year/period		882,903	814,814	1,040,579	1,040,579	1,380,892
Cash and cash equivalents at the end of year/period	31	814,814	1,040,579	1,380,892	1,336,522	1,697,117

Statement of Financial Position

	Notes	As at December 31, 2020 RMB'000	As at December 31, 2021 RMB'000	As at December 31, 2022 RMB'000	As at June 30, 2023 RMB'000
Non-current assets					
Property, plant and equipment	*15*	187,317	215,576	208,907	200,158
Investment properties	*16*	182,748	183,679	186,120	186,230
Right-of-use assets	*17*	13,665	72,526	71,271	69,493
Intangible assets	*18*	280	1,124	992	671
Contract assets	*20*	105,550	275,913	600,474	501,766
Investments in subsidiaries	*22*	837,810	909,800	1,032,784	1,125,129
Investments in associates	*21*	32,609	46,137	183,327	193,941
Other non-current assets	*23*	15,262	11,714	7,571	3,903
Deferred tax assets	*24*	31,522	46,043	57,774	64,380
Financial assets measured at FVOCI	*25*	135,441	122,692	138,813	139,803
		1,542,204	1,885,204	2,488,033	2,485,474
Current assets					
Inventories	*27*	116,506	130,273	122,817	403,050
Contract assets	*20*	1,549,892	3,638,902	4,921,954	5,405,623
Receivables under service concession arrangements	*20*	112,593	75,739	131,229	142,126
Trade receivables and bills receivable	*29*	4,303,699	5,216,387	5,773,682	5,763,121
Prepayments, deposits and other receivables	*30*	2,513,272	2,216,566	2,150,567	1,935,832
Restricted bank deposits	*31*	269,646	328,983	747,505	597,162
Cash and cash equivalents	*31*	540,969	651,520	776,081	1,135,919
		9,406,577	12,258,370	14,623,835	15,382,833

	Notes	As at December 31, 2020 RMB'000	As at December 31, 2021 RMB'000	As at December 31, 2022 RMB'000	As at June 30, 2023 RMB'000
Current liabilities					
Trade payables and bills payable	*32*	4,750,365	6,623,467	9,417,093	10,376,487
Contract liabilities	*20*	1,198,165	1,478,741	2,055,348	1,638,687
Employee benefits payable	*33*	48,253	55,720	77,378	76,402
Other payables and accruals	*34*	2,273,652	2,367,751	1,869,318	1,835,310
Short-term borrowings	*35*	893,935	1,535,582	1,145,935	1,581,065
Current portion of non-current liabilities	*37*	188,219	255,843	312,910	598,277
		9,352,589	12,317,104	14,877,982	16,106,228
Net current assets/(liabilities)		53,988	(58,734)	(254,147)	(723,395)
Total assets less current liabilities		1,596,192	1,826,470	2,233,886	1,762,079
Non-current liabilities					
Long-term payables	*34*	300,000	300,000	300,000	–
Long-term borrowings	*35*	66,277	127,146	444,956	306,425
Lease liabilities	*39*	4,126	4,083	2,319	1,267
Employee benefit payable	*33*	–	–	30,790	29,090
Deferred tax liabilities	*24*	15,160	14,842	17,627	17,792
		385,563	446,071	795,692	354,574
Net assets		1,210,629	1,380,399	1,438,194	1,407,505
Equity					
Share capital	*40*	800,000	1,000,000	1,000,000	1,000,000
Reserves	*41*	410,629	380,399	438,194	407,505
Total equity		1,210,629	1,380,399	1,438,194	1,407,505

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. COMPANY INFORMATION

The Company is a joint stock limited company established in the People's Republic of China (the "PRC"). The registered office and principal business address of the Company is No. 8, Xinhua Road, Shanxi Demonstration Zone, the PRC.

During the Track Record Period, the Company and its subsidiaries are principally engaged in the following businesses in the PRC:

- Specialized industrial works contracting
- Professional supporting works contracting
- Other works contracting
- Non-construction business

In the opinion of the Directors, the immediate holding company of the Group is Shanxi Construction Investment Group Co., Ltd., ("Shanxi CIG") and the ultimate holding company of the Group is Shanxi State-owned Capital Operation Co., Ltd, who is ultimately controlled by the state-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries (all of which are state-owned limited liability companies). Details of the principal subsidiaries are as follows:

Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital	Equity Attributable to the Company Direct	Equity Attributable to the Company Indirect	Principal Operations
		RMB'000	*(%)*	*(%)*	
Shanxi Shan'an Bluesky Energy Conservation Technology Co., Ltd. ("Shan'an Bluesky")[1] (山西山安藍天節能科技股份有限公司)	PRC/Mainland China June 2015	101,782	56.77	N/A	Investment, development and operation of clean heating projects
Shanxi Zhuo'an Materials Trading Company Limited[2] (山西卓安物資貿易有限公司)	PRC/Mainland China May 2015	3,100	100.00	N/A	Construction materials trading and leasing
Shanxi Shan'an Maode Distributed Energy Technology Company Limited (山西山安茂德分佈式能源科技有限公司) (formerly known as "Shanxi Shan'an Maode Solar Energy Technology Co., Ltd. (山西山安茂德太陽能科技有限公司)")[2]	PRC/Mainland China July 2016	300,000	100.00	N/A	New energy project investment, development and operation

Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital *RMB'000*	Equity Attributable to the Company Direct *(%)*	Indirect *(%)*	Principal Operations
Shanxi Ningyang Energy Company Limited(2) (山西寧揚能源有限公司)	PRC/Mainland China May 2013	30,000	51.00	N/A	Liquefied nature gas ("LNG") production and sales
Shanxi Shan'an Lide Environmental Technology Company Limited(2) (山西山安立德環保科技有限公司) (formerly known as "Shanxi Shan'an Lide Energy Reservation Technology Company Limited (山西山安立德節能科技有限公司)")(2)	PRC/Mainland China December 2015	100,000	84.38	N/A	Investment, development and operation of solid disposal projects
Shanghai Shan'an Construction Engineering Company Limited(2) (上海山安建設工程有限公司)	PRC/Mainland China April 2017	100,000	100.00	N/A	Mechanical and electrical installation works construction
Shanxi Shan'an Lida Environmental Technology Company Limited (山西山安立達環保科技有限公司)	PRC/Mainland China May 2018	50,000	40.00	18.75	Ecological and Environmental Protection and Restoration
Son Tay Viet Nam Construction Company Limited(3)	Vietnam/Vietnam August 2020	1,000	100.00	N/A	Construction and operation of new energy power generation projects
Shanxi Shan'an Biquan Haimian City Technology Company Limited (山西山安碧泉海綿城市科技有限公司) (formerly known as "Shanxi Shan'an Biquan Waterwork Company Limited (山西山安碧泉水務有限公司)")(2)	PRC/Mainland China July 2016	100,000	100.00	N/A	Investment, development and operation of water environment control projects
Lingchuan Shan'an Construction Development Company Limited(2) (陵川山安建設發展有限公司)	PRC/Mainland China January 2018	54,712	90.00	N/A	Investment, construction and operation of municipal road projects

Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital	Equity Attributable to the Company		Principal Operations
			Direct	Indirect	
		RMB'000	*(%)*	*(%)*	
Guangdong Shan'an Construction Engineering Company Limited(2) (廣東山安建設工程有限公司)	PRC/Mainland China May 2018	100,000	100.00	N/A	Mechanical and electrical installation works construction
Xiangyuan Shan'an Road and Bridge Construction Development Company Limited(3) (襄垣縣山安路橋建設發展有限公司)	PRC/Mainland China December 2020	29,942	80.00	N/A	Investment, construction and operation of road and bridge projects
Linfen Shan'an Waterwork Development Company Limited(4) (臨汾市山安水務發展有限公司)	PRC/Mainland China March 2021	20,805	85.67	9.52	Investment, construction and operation of sewage treatment projects
Australian Shan An Construction Engineering Pty Limited(2)	Australia/Australia March 2018	2,784	100.00	N/A	Construction and operation of new energy power generation projects
Xinjiang Shan'an Waterwork Management Company Limited(2) (新絳縣山安水利管理有限公司)	PRC/Mainland China September 2018	50,000	60.00	30.00	Investment, construction and operation of river and lake treatment projects
Shanxi Shan'an Maode Electricity Supply Company Limited (山西山安茂德售電有限公司)	PRC/Mainland China July 2017	20,000	100.00	N/A	Electricity distribution and sales business
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited(2) (昔陽山安綜合管廊建設發展有限公司)	PRC/Mainland China January 2019	136,660	90.00	N/A	Investment, construction and operation of underground comprehensive pipe gallery facility projects
Qinshui Shan'an Culture and Sport Construction Development Company Limited(2) (沁水山安文體建設發展有限公司)	PRC/Mainland China January 2019	67,463	94.99	N/A	Investment, construction and operation of municipal facility projects

Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital	Equity Attributable to the Company Direct	Indirect	Principal Operations
		RMB'000	*(%)*	*(%)*	
Jiexiu Shan'an Waterwork Construction Development Company Limited[2] (介休山安水利建設發展有限公司)	PRC/Mainland China March 2019	117,620	75.28	5.00	Investment, construction and operation of water environment control projects
Huguan Shan'an Two Roads Three Streets Construction Development Company Limited[2]	PRC/Mainland China June 2018	60,928	90.00	N/A	Investment, construction and operation of municipal road projects
Shanxi Shan'an Yunneng Environmental Technology Company Limited[2] (山西山安運能環保科技有限公司)	PRC/Mainland China March 2019	50,000	41.00	14.25	Comprehensive utilization of solid waste
Changzhi Shan'an Construction Development Company Limited[2] (長治市山安建設發展有限公司)	PRC/Mainland China July 2018	40,000	90.00	N/A	Investment, construction and operation of industrial park projects
Gaoping City Shan'an Five Roads One River Construction Development Company Limited[2] (高平市山安五路一河建設發展有限公司)	PRC/Mainland China December 2017	41,880	95.00	N/A	Investment, construction and operation of municipal road projects
Sichuan Shan'an Construction Engineering Company Limited[4] (四川山安建設工程有限公司)	PRC/Mainland China September 2021	100,000	100.00	N/A	Water environment control works construction
Yangquan Shan'an Construction Development Company Limited[5] (陽泉山安建設發展有限公司)	PRC/Mainland China September 2021	130,000	80.00	N/A	Investment, construction and operation of civil engineering projects
Qinshui Shan'an Construction Development Company Limited[5] (沁水山安建設發展有限公司)	PRC/Mainland China May 2022	170,863	80.00	N/A	Investment, construction and operation of commercial services projects

Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital	Equity Attributable to the Company Direct	Equity Attributable to the Company Indirect	Principal Operations
		RMB'000	*(%)*	*(%)*	
Jinzhong Shan'an Lide Solid Waste Utilization Technology Company Limited(5) (晉中山安立德固廢利用科技有限公司)	PRC/Mainland China November 2022	30,000	49	3.75	Handling of urban construction waste and cargo logistic
Hubei Shan'an Construction Engineering Company Limited(5) (湖北山安建設工程有限公司)	PRC/Mainland China September 2022	100,000	100	N/A	Construction, engineering design, quality inspection, installation and repair of special equipment
Shaanxi Shan'an Construction Engineering Company Limited (陝西山安建設工程有限公司)	PRC/Mainland China March 2023	100,000	100	N/A	Construction management services, subcontracting and construction labor subcontracting
Yushe County Shan'an Xinyuan Company Limited (榆社縣山安新源有限公司)	PRC/Mainland China September 2023	1,000	100	N/A	Electricity, heating, gas and water production and supply
Liaoning Yingkou Shan'an New Energy Company Limited (遼寧營口山安新能源有限公司)	PRC/Mainland China October 2023	10,000	100	N/A	Operating of new energy power generation, power transmission and power supply projects

Notes:

(1) The statutory financial statements of these entities for the years ended December 31, 2020, 2021 and 2022 prepared in accordance with the PRC Accounting Standards for Business Enterprises ("PRC GAAP") were audited by Grant Thornton (Special General Partnership) (PRC CPA).

(2) The statutory financial statements of these entities for the years ended December 31, 2020 prepared in accordance with the PRC GAAP were audited by Shanxi Lihong Certified Public Accountants Co., Ltd. (PRC CPA); the statutory financial statements for the year ended December 31, 2021 were audited by Shanxi Tongxing Certified Public Accountants Co., Ltd. (PRC CPA). The statutory financial statements of these entities for the year ended December 31, 2022 were prepared in accordance with the PRC GAAP were audited by Grant Thornton (Special General Partnership) (PRC CPA).

(3) The statutory financial statements of these entities for the year ended December 31, 2020 prepared in accordance with the PRC GAAP were audited by Shanxi Lihong Certified Public Accountants Co., Ltd. (PRC CPA); the statutory financial statements for the year ended December 31, 2021 were audited by Shanxi Tongxing Certified Public Accountants Co., Ltd. (PRC CPA). The statutory financial statements of these entities for the year ended December 31, 2022 prepared in accordance with the PRC GAAP were audited by Grant Thornton (Special General Partnership) (PRC CPA).

(4) The statutory financial statements of these entities for the year ended December 31, 2021 prepared in accordance with the PRC GAAP were audited by Shanxi Tongxing Certified Public Accountants Co., Ltd. (PRC CPA). The statutory financial statements of these entities for the year ended December 31, 2022 prepared in accordance with the PRC GAAP were audited by Grant Thornton (Special General Partnership) (PRC CPA).

(5) The statutory financial statements of these entities for the year ended December 31, 2022 were prepared in accordance with the PRC GAAP were audited by Grant Thornton (Special General Partnership) (PRC CPA).

Since the Company did not have a registered English name, the management of the Company directly translated the Chinese name of the Company into English as the English name of the Company registered in China.

2. BASIS OF PRESENTATION AND PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") approved by the International Accounting Standards Board ("IASB"), which comprise all applicable individual IFRSs, International Accounting Standards and interpretations. All IFRSs effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period. The early adoption of the IFRSs do not have any significant impact on the financial positions or results of the Group during the Track Record Period.

In preparing the Historical Financial Information, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of RMB357,198,000 as at June 30, 2023. This indicates a condition which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company had made an assessment, and concluded that the Group is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period, having regard to the following:

i. after assessing the Group's current and forecasted cash positions, the Group expects to generate sufficient cash flows for the next twelve months from the end of the reporting period;

ii. the Group has obtained confirmation from Shanxi CIG that Shanxi CIG will continue to provide financial support to the Group as and when needed for the next twelve months from the end of the reporting period; and

iii. the Group has significant undrawn borrowing facilities, subject to certain conditions, of not less than RMB4.7 billion and may refinance and/or restructure certain short-term borrowings into long-term borrowings and will also consider alternative sources of financing, where applicable.

Accordingly, the Historical Financial Information have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their estimated recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost basis, except for investment properties, financial assets measured at fair value through other comprehensive income and financial guarantee contracts which are stated at fair value. Disposal groups held for sale are stated at the lower of carrying amounts and fair values less costs to sell as fully described in Note 3.2.

The significant accounting policies that have been used in the preparation of this Historical Financial Information are summarized below. These policies have been consistently applied to all the years presented in the Historical Financial Information, unless otherwise stated.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IFRS 16	Lease Liabilities in a Sale and Leaseback[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after January 1, 2024

2 Effective for annual periods beginning on or after January 1, 2025

3 Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended IFRSs. Information on new and amended IFRSs that are expected to have an impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's Historical Financial Information.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments remove an acknowledged inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and those in IAS 28 (2011) "Investments in Associates and Joint Ventures" in dealing with the sale or contribution of assets between an investor and its associate or joint venture and require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments are originally effective prospectively to transactions occurring in annual period beginning on or after January 1, 2016. However, such effective date has been postponed indefinitely with earlier adoption permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" and Amendments to IAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments")

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current, which are summarized as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;

- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

- "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under IAS 32 "Financial Instruments: Presentation", the transfer of equity instruments by exercising the conversion option constitutes settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with IAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The information provided should enable users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:

- the carrying amount of the related liabilities;

- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and

- facts and circumstances, if any, that indicate that an entity may have difficulty complying with covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The 2022 Amendments also deferred the effective date of the "Classification of Liabilities as Current or Non-current" (2020 Amendments) to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

Amendments to IFRS 16 "Lease Liabilities in a Sale and Leaseback"

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 "Revenue from Contracts with Customers" to be accounted for as a sale.

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"

The amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangement ("SFA") and introduce new disclosure requirements to enhance the transparency of SFA and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

SFAs are arrangements in which one or more finance providers offer to pay amounts an entity owes its suppliers, and the entity agrees to pay according to the terms and conditions of the arrangement at the same date as, or a date later than, suppliers are paid. The arrangements typically provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Arrangements that are solely credit enhancements for the entity (e.g. financial guarantees including letter of credit used as guarantees) or instruments used to settle the amount owed directly with a supplier (e.g. credit card) are not SFAs.

The new disclosure requirements for the SFAs includes:

- Terms and conditions of the arrangements;

- At as the beginning and end of the reporting period:

  – the carrying amounts of SFA financial liabilities and the line items in which those liabilities are presented;

  – the carrying amounts of financial liabilities and the line items, for which the finance providers have already settled the corresponding trade payables;

  – the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements;

- The type and effect of non-cash changes in the carrying amounts of SFA financial liabilities; and

- Additional liquidity information arising from SFA (e.g. whether the entity has accessed, or has access to, facilities under supplier finance arrangements that provide the entity with extended payment terms or the entity's suppliers with early payment terms, any concentration of liquidity risk and market risk arising from SFA).

In addition, the amendments also provide certain transition relief when the amendments become effective.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

Amendments to IAS 21 "Lack of Exchangeability"

The amendments respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies. The amendments help entities and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates.

The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Early application is permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Track Record Period. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests ("NCI"), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognized in the Company's profit or loss.

NCI represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any NCI either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity holders of the Company.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any NCI and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any NCI in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any NCI in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as bargain purchase gain.

Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In Historical Financial Information, an investment in an associate is initially recognized at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year/period includes the Group's share of the post-acquisition, post-tax results of the associate for the year/period, including any impairment loss on the investment in associate recognized for the year/period. The Group's other comprehensive income for the year/period includes its share of the associate's other comprehensive income for the year/period.

Unrealized gains or losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealized gains or losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. At the end of each reporting period, the Group determines whether there is any objective evidence that the investments in the associates are impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investments, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associates, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investments.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. The difference between (i) the fair value of any retained interest and any proceeds from disposing of partial interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognized in the profit or loss by the Group. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognized in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Foreign currency translation

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

In the individual financial statements of the combined entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from retranslation of monetary assets and liabilities at the end of the reporting period are recognized in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rate at the transaction date).

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognized in other comprehensive income and accumulated separately in the translation reserve in equity.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below and cost of right-of-use assets as described in "Leases" below) are initially recognized at acquisition cost and/or manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management). Except for land and building held for administrative purpose as described below, they are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives. The estimated useful lives are as follows:

Items	Number of years
Buildings and structure	2 – 30 years
Construction machinery	8 years
Transportation and production equipment	8 – 20 years
Office equipment and others	5 years

Accounting policy for depreciation of right-of-use assets is set out in "Leases" below.

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment property is measured at cost, and subsequently at fair value, unless fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognized at the end of the reporting period reflect the prevailing market conditions at the end of the reporting period.

When the use of a property changes such that it is reclassified as property, plant and equipment/inventories/properties held for sale, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, and other costs directly attributable to such properties incurred during the development period and net realizable value.

Net realizable value takes into account the proceeds ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to complete.

Properties under development are classified as current assets unless those will not be realized in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains an NCI in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and other contract costs once classified as held for sale are not depreciated or amortized.

Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of interest in associates is set out in "Associates" above.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any NCI in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any NCI in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Intangible assets (other than goodwill)

Acquired intangible assets are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortization commences when the intangible assets are available for use. The following useful lives are applied:

Items	**Number of years**
Patent rights	10 years
Software	2 years

The assets' amortization methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognized as intangible assets provided they meet all of the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognized as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

– financial assets at amortized cost;

– financial assets at FVTPL; or

– financial assets at fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

– the Group's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, interest income or other financial items, except for expected credit losses ("ECL") on financial assets which is presented as a separate item in consolidated statements of profit or loss and other comprehensive income.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, restricted bank deposits, trade receivable, deposits and other receivables, and other current assets fall into this category of financial instruments.

Financial assets at FVOCI

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Equity instruments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income and accumulated in "other reserves" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in "other reserves" will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in "other income" of profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and bills payables, employee benefits payable, other payables, interest-bearing bank borrowings and other borrowings and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortized cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in finance costs or other income.

Accounting policies of lease liabilities are set out in "Leases" below.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Trade payables and bills payable, employee benefits payable, other payables, interest-bearing bank borrowings and other borrowings

Trade payables and bills payable, employee benefits payable, other payables, interest-bearing bank borrowings and other borrowings are recognized initially at their fair value and subsequently measured at amortized cost, using the effective interest method.

Impairment of financial assets, receivables under service concession arrangements and contract assets

IFRS 9's impairment requirements use forward-looking information to recognize ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade and bills receivable, receivables under service concession arrangements and contract assets recognized and measured under IFRS 15 and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of the reporting period.

"12-month ECL" are recognized for the Stage 1 category while "lifetime ECL" are recognized for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables, receivables under service concession arrangements and contract assets

For trade receivables, contract assets and receivables under service concession arrangements, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at the end of each reporting period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables, receivables under service concession arrangements and contract assets have been grouped based on shared credit risk characteristics and the days past due. The receivables under service concession arrangements and contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the receivables under service concession arrangements and contract assets.

Other financial assets measured at amortized cost and debt investments at FVOCI

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the end of the reporting period with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables, receivables under service concession arrangements, contract assets and other financial assets measured at amortized cost are set out in note 52.

Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. For raw materials and finished goods recognized in inventories, cost is determined using the first in first out basis or weighted average basis, and in the case of finished goods, costs comprise direct materials, direct labor and an appropriate proportion of overheads. It excludes borrowing costs.

Cash and cash equivalents and restricted bank deposits

Cash and cash equivalents include cash at bank and in hand and demand deposits with banks.

Bank deposits which are restricted to use are included in "restricted bank deposits" of the consolidated statements of financial position. Restricted bank deposits are excluded from cash and cash equivalents.

Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in "Impairment of financial assets, receivables under service concession arrangements and contract assets" above and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists. Those right-of-use assets meeting the definition of investment properties or relating to a class of property, plant and equipment to which revaluation model was applied are subsequently measured at fair value in accordance with the Group's accounting policies.

Land use rights (which meet the definition of a right-of-use asset) represent prepayments for leasing land located in the PRC for periods arranging from 25-50 years. Land use rights are recognized as an expense and measured at a straight-line basis over the term of the leasehold/right-to-use.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognized the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in "right-of-use assets" as a separate line item. Right-of-use assets that meet the definition of investment property are presented within "investment properties". The prepaid lease payments for leasehold land are presented as "land use right" under right-of-use assets.

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognized on a straight-line basis over the term of the lease.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered as contingent assets.

Paid-up capital/share capital

Paid-up capital/share capital are classified as equity. Share capital is recognized at the amount of consideration of shares issued, after deducting any transaction costs associated with the issue of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Revenue recognition

Revenue arises mainly from the sales and contracts for the construction services. To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognizing revenue when/as performance obligations are satisfied

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Principal and agent consideration

The Group reports the revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The determination of whether to report the revenues of the Group on a gross or net basis is based on an evaluation made of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) changes the product or performs part of the service; (iv) has involvement in the determination of product and service specifications.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue from the sales of LNG, electricity and residential properties and trading of commodities are recognized when the Group transfers control of the assets to the customer in which the control is transferred at the point in time the customer takes undisputed delivery of the goods.

Construction contract

Revenue from construction contracts is recognized over time as the Group's performance creates and enhances an asset that the customer controls. The progress towards complete satisfaction of a performance obligation is measured based on input method, i.e. the costs incurred up to date compared with the total budgeted costs, which depict the Group's performance towards satisfying the performance obligation.

In addition to the fixed fee, some contracts include bonus payments which the Group can earn by early completion. At inception of each contract, the Group begins by estimating the amount of the bonus to be received using the "best estimate" approach. This amount is then included in the Group's estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the bonus is resolved. In making this assessment, the Group considers its historical record of performance on similar contracts, whether the Group has access to the labor and materials resources needed to exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints.

Besides, claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

When the outcome of the contract cannot be reasonably measured, revenue is recognized only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognized in accordance with IAS 37.

The Group generally provides warranties for repairs to any construction defects and does not provide extended warranties in its construction contract with customers. As such, most of all existing warranties are considered as assurance-type warranties under IFRS 15, which are accounted for under IAS 37. Retention receivables, prior to expiration of retention period, are classified as contract assets. The relevant amount of contract asset is reclassified to trade receivables when the retention period expires.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (including certain service concession projects such as "Build-Operate-Transfer"), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The transaction price for a contract excludes any amounts collected on behalf of third parties. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties to the contract. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Interest income from service concession arrangements

Interest income from service concession arrangements is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of receivables under service concession arrangements.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Interest income

Interest income is recognized on a time proportion basis using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of ECL allowance) of the asset.

Rental income

Accounting policies for rental income are set out in "Leases" above.

Accounting treatment for service concession projects (also known as, public-private partnership projects, "PPP projects")

The Group has entered into a number of service concession project agreements with certain entities (the "Grantors").

For PPP projects, the Group review each of PPP project agreements and generally classify the activities under such arrangements into two categories, namely (i) construction and renovation, and (ii) operation. During the construction or renovation of PPP projects, the Group design the relevant facilities, procure the necessary equipment, and build and/or renovate the facilities. Upon the completion of the construction or renovation, the Group are granted the right to operate the facilities during a specified concession period, which typically lasts for 12-30 years, and are entitled to services fees during the concession period to recover the costs of investment, construction, operation and maintenance and to provide us reasonable returns.

All PPP projects of the Group are within the scope of service concession arrangements under IFRS Interpretations Committee Interpretation 12 "Service Concession Arrangements" ("IFRIC 12") because service concession projects contain the following:

- the Grantors control or regulate the services that the Group must provide with the infrastructure, to whom the Group must provide such services, and at prices agreed with the Grantors;

- the Grantors of the infrastructure controls, through ownership, any significant residual interest in the infrastructure at the end of the service concession agreement; and

- the Grantors restrict the Group's practical ability to sell or pledge the infrastructure that give the Group continuing right of use throughout the period of the arrangements.

The accounting treatment of PPP projects involves judgment and affects the presentation of the Group's results of operation. Several key aspects of this accounting treatment are summarized below.

Accounting treatment associated with the construction of the PPP projects

During the construction of the PPP projects, the Group recognize construction revenue in accordance with the progress of construction projects and determined based on the construction costs incurred and the gross profit margins agreed in the contract. The Group determined the mark-up with reference to the gross profit margins agreed in the contract or the historical experience of engineering, procurement and construction ("EPC") projects.

The Group entitled to receive payment of construction revenue until the operation of the project commences. The construction revenue is recorded as an contract asset on the consolidated statement of financial position.

During the Track Record Period, all the Group's PPP projects had guaranteed minimum revenue as construction revenue which was pre-determined by the agreement of PPP projects. For PPP projects with a guaranteed future revenue stream, the Group treat the construction revenue as contract assets under PPP projects on the consolidated statement of financial position during the construction of the PPP projects. The amount of the contract assets is determined as the present value of such guaranteed minimum payment that the Group are entitled to receive, using a discount rate, which is determined with reference to the market interest rate and credit risk exposure to the relevant customer. When the operation of the project commences, receivables under service concession arrangements would reclassify from contract assets to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction rendered and/or the consideration paid and payable by the Group for the right to manage operate the infrastructure for public service. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified requirements. When the Group receive service fees during the operation of the project, the Group allocate the service fees as follows: (i) portion to settle the balance of the relevant trade receivables of the PPP projects (i.e. the receivables under service concession arrangements transferred to trade receivables when the right to receive payment becomes unconditional); (ii) amortized interest income on the receivables under service concession arrangements (the amortization on interest income on the receivables under services concession arrangements is determined using effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts to the receivables under services concession arrangements as at construction completion date over the expected life of the PPP projects); and (iii) the remainder to be recognized as operating fee income of PPP projects by considering the performance obligation of the rendered operation service according to the terms of PPP projects. The total service concession receivables and the contract assets for the PPP projects will be completely settled at the end of the concession period.

Accounting treatment associated with operation of the PPP projects

Revenue from the operation of the PPP projects is recognized in the period in which services are rendered. Payment from customer are apportioned into (i) repayment of the relevant trade receivables of the PPP projects (i.e. the receivables under service concession arrangements transferred to trade receivables when the right to receive payment becomes unconditional), (ii) amortized interest income on the receivables under service concession arrangements, and (iii) the remainder being recognized as operating fee income of PPP Projects. The operation costs incurred were recognized in cost of sales and services during the operation of the PPP projects.

During the operation of the PPP projects, the Group received service fees from the PPP projects. Receipts of service fees and payments of operation costs are recognized as cash flows in the Group's operating activities on the consolidated statements of cash flows during the operation of the PPP projects.

Expected credit losses of contract assets, receivables under services concession arrangements and trade receivables under PPP projects is recognized in accordance with the accounting policies set out in "impairment of financial assets, receivables under services concession arrangements and contract assets" above.

Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer, which are not capitalized as inventories, property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalized when incurred if the costs relate to revenue, which will be recognized in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalized as inventories, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the asset relates is recognized.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognized in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as "deferred income" in the consolidated statement of financial position and are recognized in profit or loss on a straight-line basis over the expected lives of the related assets. Government grants that compensate the Group for expenses incurred are set-off with relevant expenses. Government grants relating to assets and those not directly attributable to any specific asset or expense are presented gross under "Other income and gains, net" in profit or loss.

Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Intangible assets;
- Property, plant and equipment;
- Right-of-use assets; and
- The Company's interests in subsidiaries and associates.

Goodwill and intangible assets not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Impairment losses recognized in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

Employee benefits

Retirement benefits (defined contribution plan)

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute fixed rate of its payroll costs to the central pension scheme.

Contributions are recognized as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable. Any forfeited contributions by employees who leave the scheme prior to vesting fully in the contributions will not be used by the Group to reduce the existing level of contributions.

Retirement benefits (defined benefit plans)

For defined benefit plans, the independent actuary makes actuarial estimation to determine cost of benefits offered and attributable period by using projected unit credit method. Defined benefit costs are categorized as follows:

(i) Service costs include current service cost, past service cost, as well as gains and losses on and settlements. Current service cost refers to the increase amount of present value of defined benefit obligation arising from service rendered in current year; past service cost refers to the change of present value of defined benefit obligation arising from modification of defined benefit plans;

(ii) Net interest expense or income net of liabilities or assets (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling);

(iii) Changes arising from remeasurement of net liabilities or net assets of defined benefit plans (including actuarial gains and losses).

Unless benefits costs recognized in the cost of assets are required or permitted by other standards, the Group presents the above (i) and (ii) in profit or loss while (iii) in other comprehensive income, which will not be reversed to the profit or loss during the subsequent accounting period.

The defined benefit plans provided by the Group are set out in note 33.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 "Provisions, Contingent liabilities and Contingent Assets" and involves the payment of terminations benefits.

Housing benefits

Housing subsidies paid to PRC employees which stipulates the employees will not leave to the Group within five years from the grant date. The Group has recognized as prepaid employees housing subsidies to the consolidated statement of financial position. The prepaid employees housing subsidies is amortized on a straight-line basis over five years from the grant date.

Short-term employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognized until the time of leave.

Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalized as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realized, provided they are enacted or substantively enacted at the end of the reporting period.

Under EIT Law, the Group's PRC operation are entitled to additional 50% tax allowance when research and development expenditure incurred. According to tax notice and announcement issued by relevant authorities in the PRC, the additional allowance have been increased from 50% to 75% from January 1, 2018 to December 31, 2023.

In March 2023, according to the announcement issued by relevant authorities in the PRC, the additional tax allowance of research and development expenses was increased on the current deduction ratio from 75% to 100% since October 1, 2022.

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognized amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, being the chief operating decision maker, for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following two reportable segments according to its services, for the purpose of management:

Construction contracting segment – this segment provides services related to construction contracting as contractors engaged in professional industrial construction, professional auxiliary construction projects and other construction projects. The construction projects mainly includes electric power engineering, petrochemical engineering, hydromechanical installer engineering, metallurgical engineering, hydraulic and hydro-power engineering, urban railway engineering, mining, standardized plants, heating, water supply, sewage, gas, lighting, environmental protection engineering, road and bridge engineering, agricultural engineering, residential construction engineering, office construction engineering, commercial construction engineering, science, education, culture and health construction engineering, building decoration and decoration engineering, electronic and intelligent engineering, assembly trial construction engineering and other project construction contracting services.

Non-construction segment – this segment is mainly engaged in non-construction business, which mainly includes contractual energy management income, sales of LNG, PPP's interest income, trading income and PPP's operating fee income and other services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The measurement policies the Group used for reporting segment results under IFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under IFRSs.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Safety production expenses

Safety production expenses accrued in accordance with the Safety Production Regulation of the People's Republic of China are recorded in other reserve. When the expenditures are utilized as expenses, they should be recognized in profit or loss and offset against special reserve; when the expenditures incurred used to form property, plant and equipment, they shall be recognized in the property, plant and equipment when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognized as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilized. The realization of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognized in profit or loss in the period in which such a reversal takes place.

The carrying amount of deferred tax assets as at December 31, 2020, 2021 and 2022 and June 30, 2023 amounted to RMB43,018,000, RMB63,955,000, RMB100,064,000 and RMB107,760,000, respectively.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalized its LAT calculation and payments with the tax authorities for certain its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period in which LAT is ascertained.

During the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the Group's residential properties appreciation values do not exceed 20% of the sum of the total deductible items and hence no LAT provided under the available exemption of relevant PRC tax law.

Impairment of trade receivables and bills receivables

The Group maintains an allowance on trade receivables and bills receivable subjects to ECL based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each Track Record Period.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and bills receivable and other items within the scope of expected credit losses under IFRS 9 and credit losses in the periods in which such estimate has been changed.

The Group recognized the net of provision for ECL of trade receivable and bill receivables of RMB58,826,000, RMB76,231,000, RMB48,685,000 and RMB37,511,000 during years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023, respectively.

Estimation on the fair value of investment properties

Investment properties (including completed investment properties) were revalued at the end of each of Track Record Period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each of Track Record Period.

The carrying amount of investment properties as at December 31, 2020, 2021 and 2022 and June 30, 2023 amounted to RMB182,748,000, RMB183,679,000, RMB186,120,000 and RMB186,230,000, respectively.

Significant influence over Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd.

The Group holds 50% of the equity interest and voting rights in Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. as at December 31, 2020 respectively, and was entitled to appoint two of board of directors of Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. out of a total of five respectively. The management has assessed the Group's involvement in Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. and concluded that it has significant influence over Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. that are classified as associates of the Group as at December 31, 2020, details of which are set out in note 21.

Significant influence over Shanxi Jiantou Linfen Construction Industry Co., Ltd.

The Group holds 10% of the equity interest and voting rights in Shanxi Jiantou Linfen Construction Industry Co., Ltd., as at December 31, 2021 and 2022 and June 30, 2023 and is entitled to appoint one of Shanxi Jiantou Linfen Construction Industry Co., Ltd.'s board of directors out of a total of five. The management has assessed the Group's involvement in Shanxi Jiantou Linfen Construction Industry Co., Ltd and concluded that it has significant influence over Shanxi Jiantou Linfen Construction Industry Co., Ltd. Shanxi Jiantou Linfen Construction Industry Co., Ltd is classified as an associate of the Group as at December 31, 2021 and 2022 and June 30, 2023, details of which are set out in note 21.

Significant influence over Shanxi Jinjian Shan'an Equity Investment Partnership (Limited Partnership) ("Jinjian Shan'an")

As at December 31, 2022 and June 30, 2023, the Group owned 74% equity interest in Jinjian Shan'an, pursuant to the partnership agreement, the decision of operating and financial policies is governed by the investment committee. The two-third of the committee member is appointed by the general partner of Jinjian Shan'an, an independent third party. The Group only possesses significant influence over the operating and financial policies of the Jinjian Shan'an through the power to appoint the one-third of committee member of the investment committee. The Group only possessed significant influence over Jinjian Shan'an, therefore, the investment has been classified as an associate of the Group as at December 31, 2022 and June 30, 2023, details of which are set out in note 21.

Significant influence over Changzi Jinjian Flood Control and Drainage Project Management Co., Ltd ("Changzi Jinjian")

The Group holds 26.4% of the equity interest and voting rights in Changzi Jinjian as at June 30, 2023 and is entitled to appoint one of Changzi Jinjian's board of directors out of a total of five. The management has assessed the Group's involvement in Changzi Jinjian and concluded that it has significant influence over Changzi Jinjian. Changzi Jinjian is classified as an associate of the Group as at June 30, 2023, details of which are set out in note 21.

Critical accounting judgements

Revenue recognition for construction contracts

As explained in Note 3.2 "Revenue recognition", the Group recognizes construction revenue under construction contracts by reference to the progress of satisfying the performance obligation based on input method. This is measured based on the costs incurred up to the end of the reporting period and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets and the extent of the costs incurred. In making the above estimation, the Group conducts periodic review on the budgets and make reference to past experience and work of contractors and surveyors.

Total budgeted costs for construction contracting and contracts for services comprise (i) direct material costs and direct labor, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and contracts for services, management makes reference to information such as (i) current quoted price from subcontractors and suppliers, (ii) recent quoted price agreed with subcontractors and suppliers, and (iii) estimation on material costs, labor costs and other costs.

Accounting for the Group's service concession arrangements under IFRIC 12

The Group's service concession arrangements are accounted for as contract assets under service concession arrangement in accordance with IFRIC 12 because, in the opinion of the directors of the Company, the Group's service concession arrangements contain the following:

– the grantors control or regulate the services the Group must provide with the infrastructure, to whom the Group must provide such services, and at prices agreed with the grantors;

– the grantors of the infrastructure controls, through ownership, any significant residual interest in the infrastructure at the end of the service concession agreement; and

– the grantors restrict the Group's practical ability to sell or pledge the infrastructure that give the Group continuing right of use throughout the period of the arrangements.

Going concern basis for preparation of the Historical Financial Information

As disclosed in note 2, the Historical Financial Information have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration of all relevant available information about the future of the Group, including the proposed measures as described in note 2 and the cash flow projections for at least next twelve months from the date of June 30, 2023. Such projections about the future inherently involve uncertainties in the purchasing prices of the raw materials, and the renewal of banking facilities. The Directors have reviewed the relevant available information and key assumptions used in the cash flow projections for the twelve months after end of the reporting period, and have concluded that the use of going concern basis for preparation of the Historical Financial Information for the six months ended June 30, 2023 remains proper.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is separated into business units based on their services line and identified two reportable operating segments as follows:

Construction contracting segment – is principally engaged in the provision of services in relation to construction contracting by general contractors of specialized industrial works, professional supporting works and other construction, which mainly includes construction general contracting services such as power engineering, petrochemical engineering, electromechanical installation engineering, metallurgical engineering, water conservancy and hydropower engineering, urban rail transit engineering, mine engineering, standardized workshops, heating, water supply, sewage, gas, lighting, environmental protection engineering, road bridge engineering, agricultural engineering, construction of residential, office and commercial buildings, science, education, culture and health buildings, building decoration engineering, electronic and intelligent engineering, prefabricated construction engineering.

Non construction segment – principally derives its revenue from other non-construction business, which mainly includes revenue from urban heating technical services income, sales of LNG, interest income from PPP projects, trading income, operating fee from PPP projects and other services.

Management monitors the operating results of the Group's operating segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit and loss, which is a measure of adjusted profit and loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

Intersegment sales and transfer are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended December 31, 2020

	Construction contracting segment *RMB'000*	Non construction segment *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	9,421,704	726,916	10,148,620
Intersegment sales	136,892	4,485,027	4,621,919
Total revenue	9,558,596	5,211,943	14,770,539
Reconciliation:			
Elimination of intersegment sales			(4,621,919)
Operating revenue			10,148,620
Segment result	138,772	212,587	351,359
Reconciliation:			
Elimination of intersegment results			2,822
Profit before tax			354,181
Segment assets	10,983,126	6,128,958	17,112,084
Reconciliation:			
Elimination of intersegment receivables			(3,733,007)
Total assets			13,379,077
Segment liabilities	9,763,800	4,680,689	14,444,489
Reconciliation:			
Elimination of intersegment payables			(2,849,495)
Total liabilities			11,594,994
Other segment information			
Depreciation of property, plant and equipment	12,883	52,807	65,690
Depreciation of right-of-use assets	2,187	3,071	5,258
Amortization of intangible assets	376	25	401
Interest income	(38,053)	(931)	(38,984)
Finance costs	181,532	112,223	293,755
Loss/(gain) on disposal of property, plant and equipment	11	(227)	(216)
Gain on disposal of assets of disposal group classified as held for sales	–	(68,138)	(68,138)
Provision of expected credit losses on financial assets, net	57,491	336	57,827
Provision of expected credit losses on contract assets, net	348	2,105	2,453
Provision for expected credit losses on receivables under service concession arrangements, net	1,265	–	1,265
Share of loss of associates	2,479	–	2,479
Capital expenditure*	22,073	179,206	201,279

Year ended December 31, 2021

	Construction contracting segment *RMB'000*	Non construction segment *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	12,170,554	1,107,815	13,278,369
Intersegment sales	160,890	3,564,144	3,725,034
Total revenue	12,331,444	4,671,959	17,003,403
Reconciliation:			
Elimination of intersegment sales			(3,725,034)
Operating revenue			13,278,369
Segment result	61,347	209,563	270,910
Reconciliation:			
Elimination of intersegment results			(58,755)
Profit before tax			212,155
Segment assets	14,235,766	6,077,238	20,313,004
Reconciliation:			
Elimination of intersegment receivables			(2,738,043)
Total assets			17,574,961
Segment liabilities	12,841,957	4,481,030	17,322,987
Reconciliation:			
Elimination of intersegment payables			(1,762,099)
Total liabilities			15,560,888
Other segment information			
Depreciation of property, plant and equipment	27,760	64,748	92,508
Depreciation of right-of-use assets	3,519	3,346	6,865
Amortization of intangible assets	398	48	446
Interest income	(22,522)	(1,624)	(24,146)
Finance costs	259,885	132,725	392,610
Gain on disposal of property, plant and equipment	(67)	(64)	(131)
Provision of expected credit losses on financial assets, net	75,379	5,183	80,562
Provision of expected credit losses on contract assets, net	9,278	10,149	19,427
Provision for expected credit losses on receivables under services concession arrangements, net	12,833	–	12,833
Share of loss of associates	5,756	–	5,756
Capital expenditure*	130,807	135,984	266,791

Year ended December 31, 2022

	Construction contracting segment *RMB'000*	Non construction segment *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	11,578,792	1,266,030	12,844,822
Intersegment sales	85,473	1,235,945	1,321,418
Total revenue	11,664,265	2,501,975	14,166,240
Reconciliation:			
Elimination of intersegment sales			(1,321,418)
Operating revenue			12,844,822
Segment result	75,158	131,554	206,712
Reconciliation:			
Elimination of intersegment results			6,070
Profit before tax			212,782
Segment assets	17,275,884	8,634,003	25,909,887
Reconciliation:			
Elimination of intersegment receivables			(4,462,863)
Total assets			21,447,024
Segment liabilities	15,823,939	6,760,570	22,584,509
Reconciliation:			
Elimination of intersegment payables			(3,370,405)
Total liabilities			19,214,104
Other segment information			
Depreciation of property, plant and equipment	25,162	62,119	87,281
Depreciation of right-of-use assets	5,949	3,356	9,305
Amortization of intangible assets	635	93	728
Interest income	(10,066)	(4,035)	(14,101)
Finance costs	270,489	126,719	397,208
Gain on disposal of property, plant and equipment	(4,170)	–	(4,170)
Provision for expected credit losses on financial assets, net	40,348	19,631	59,979
Provision for expected credit losses on contract assets, net	23,197	19,789	42,986
Provision for expected credit losses on receivables under service concession arrangements, net	15,373	–	15,373
Provision for contract delayed payment	10,427	–	10,427
Share of profit of associates	(5,521)	–	(5,521)
Capital expenditure*	33,921	219,898	253,819

Six months ended June 30, 2022 (unaudited)

	Construction contracting segment *RMB'000*	Non construction segment *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	5,207,375	540,558	5,747,933
Intersegment sales	54,531	1,092,853	1,147,384
Total revenue	5,261,906	1,633,411	6,895,317
Reconciliation:			
Elimination of intersegment sales			(1,147,384)
Operating revenue			5,747,933
Segment result	90,996	79,456	170,452
Reconciliation:			
Elimination of intersegment results			(7,902)
Profit before tax			162,550
Other segment information			
Depreciation of property, plant and equipment	12,613	30,423	43,036
Depreciation of right-of-use assets	1,864	1,651	3,515
Amortization of intangible assets	329	75	404
Interest income	(5,521)	(1,143)	(6,664)
Finance costs	130,884	64,847	195,731
Gain on disposal of property, plant and equipment	(2,625)	–	(2,625)
Provision of expected credit losses on financial assets, net	8,926	5,027	13,953
Provision/(reversal of provision) for expected credit losses on contract assets, net	8,772	(290)	8,482
Provision/(reversal of provision) for expected credit losses on receivables under service concession arrangements, net	2,584	–	2,584
Share of profit of associates	(6,095)	–	(6,095)
Capital expenditure*	16,309	51,819	68,128

Six month ended June 30, 2023

	Construction contracting segment *RMB'000*	Non construction segment *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	4,619,597	628,436	5,248,033
Intersegment sales	93,204	287,256	380,460
Total revenue	4,712,801	915,692	5,628,493
Reconciliation:			
Elimination of intersegment sales			(380,460)
Operating revenue			5,248,033

	Construction contracting segment *RMB'000*	Non construction segment *RMB'000*	Total *RMB'000*
Segment result	27,083	83,652	110,735
Reconciliation:			
Elimination of intersegment results			10,189
Profit before tax			120,924
Segment assets	17,803,943	8,850,299	26,654,242
Reconciliation:			
Elimination of intersegment receivable			(4,420,480)
Total assets			22,233,762
Segment liabilities	16,600,646	6,800,311	23,400,957
Reconciliation:			
Elimination of intersegment payable			(3,447,127)
Total liabilities			19,953,830
Other segment information			
Depreciation of property, plant and equipment	11,552	30,654	42,206
Depreciation of right-of-use assets	5,195	2,011	7,206
Amortization of intangible assets	321	18	339
Interest income	(5,237)	(2,420)	(7,657)
Finance costs	116,696	62,484	179,180
Gain on disposal of property, plant and equipment	(1,316)	–	(1,316)
Provision of expected credit losses on financial assets, net	42,204	1,935	44,139
Provision for expected credit losses on contract assets, net	2,125	1,347	3,472
Provision for expected credit losses on receivables under service concession arrangements, net	1,369	–	1,369
Share of profit of associates	(2,310)	–	(2,310)
Capital expenditure*	6,169	155,770	161,939

* Capital expenditures include additions to property, plant and equipment, right-of-use assets and intangible assets.

Geographical information

Majority of the Group's operations are conducted in the PRC. The revenue and non-current assets outside the PRC are insignificant, and therefore no geographical segment information is disclosed.

Information of major customers

The Group has a large numbers of customers and no single customer accounted for more than 10% of the Group's total revenue for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

6. REVENUE, OTHER INCOME AND GAINS

6.1 An analysis of the Group's revenue, other income and gains, net is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
1. Specialized industrial construction					
– Construction income of PPP projects	284,191	163,216	53,190	46,675	16,780
– Construction income of EPC projects	5,137,448	6,801,687	7,537,942	3,140,376	2,915,791
	5,421,639	6,964,903	7,591,132	3,187,051	2,932,571
2. Specialized auxiliary construction					
– Construction income of PPP projects	455,595	252,201	94,658	3,935	121,945
– Construction income of EPC projects	2,183,935	2,866,116	1,996,405	1,107,432	799,555
	2,639,530	3,118,317	2,091,063	1,111,367	921,500
3. Other construction					
– Construction income of PPP projects	125,733	87,963	85,432	13,162	52,724
– Construction income of EPC projects	1,234,803	1,999,371	1,811,165	895,795	712,802
	1,360,536	2,087,334	1,896,597	908,957	765,526
4. Non construction business					
– Interest income of PPP projects	77,837	140,963	146,955	69,918	78,630
– Operating fee income of PPP projects	70,368	77,518	90,199	47,537	52,842
– Urban heating technical services income	281,262	276,646	296,598	154,500	220,429
– Sales of LNG	172,593	256,245	308,204	123,162	139,894
– Sales of electricity	20,109	21,795	22,129	11,776	11,816
– Trading	21,189	147,993	300,654	91,706	79,559
– Rental	7,445	30,647	37,604	22,364	7,037
– Residential properties	4,378	15,737	–	–	–
– Labor services	16,382	72,207	6,079	3,110	12,254
– Others	55,352	68,064	57,608	16,485	25,975
	726,915	1,107,815	1,266,030	540,558	628,436
	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Other income and gains, net					
Government grants	7,281	3,804	2,062	199	4,126
Interest income	38,984	24,146	14,101	6,664	7,657
Non-operating income	1,808	134	433	–	17
Dividend income from financial assets measured at FVOCI	330	319	–	–	86
Gain on disposal of subsidiaries	3,662	9,093	–	–	–
Gain on disposal of investments in associates	–	5,506	–	–	–
Gain on disposal of financial assets measured at FVOCI	–	2,441	–	–	–
Gain on disposal of property, plant and equipment, net	216	131	4,170	2,625	1,316
Gains on disposal of assets of disposal group classified as held for sale	68,138	–	–	–	–
	120,419	45,574	20,766	9,488	13,202

6.2 Classification of revenue from contracts with customers under IFRS 15

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Timing of revenue recognition					
Recognized at a point in time	641,633	936,205	1,081,471	448,276	542,769
Recognized over time	9,421,705	12,170,554	11,578,792	5,207,375	4,619,597
	10,063,338	13,106,759	12,660,263	5,655,651	5,162,366

The above excludes interest income on PPP projects and rental income, which are recognized in accordance with IFRS 9 and IFRS 16, respectively.

6.3 Revenue by geographical segment

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
China	10,143,304	13,210,717	12,752,249	5,740,949	5,099,786
Overseas	5,316	67,652	92,573	6,984	148,247
	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033

The geographical location of customers is based on the location at which the services were provided or goods delivered.

6.4 Remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Within one year	10,292,307	12,527,197	14,689,314	14,743,418	11,430,917
After one year but within five years	10,278,379	16,686,108	21,664,213	21,759,601	25,924,018
After five years	2,216,128	3,066,907	2,044,178	372,821	405,024
	22,786,814	32,280,212	38,397,705	36,875,840	37,759,959

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interests on bank loans and other borrowings	296,208	391,050	394,134	198,775	182,366
Interest on lease liabilities	3,392	3,552	3,733	1,505	1,924
Finance charge on factoring	–	–	9,534	–	–
Actuarial interest adjustment	–	–	158	–	490
	299,600	394,602	407,559	200,280	184,780
Less: capitalized interest	(5,845)	(1,992)	(10,351)	(4,549)	(5,600)
	293,755	392,610	397,208	195,731	179,180

The borrowing costs have been capitalized at a rate of 6.08%, 6.15%, 6.15%, 6.15% and 6.15% per annum at the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of services rendered for service concession arrangements	654,387	464,115	221,450	51,809	195,301
Cost of goods and services rendered, including:	8,066,138	11,066,326	10,781,326	4,853,866	4,266,738
– cost of inventories recognized as an expense	295,646	427,091	545,207	215,744	136,644
Depreciation of property, plant and equipment *(Note 15)*	65,690	92,508	87,281	43,036	42,206
Depreciation of right-of-use assets *(Note 17)*	5,258	6,865	9,305	3,515	7,206
Amortization of intangible assets *(Note 18)*	401	446	728	404	339
Research and development costs	427,327	562,038	678,720	262,220	185,266
Provision for expected credit losses on contract assets, net *(Note 20)*	2,453	19,427	42,986	8,482	3,472
Provision for expected credit losses on receivables under service concession arrangements, net *(Note 20)*	1,265	12,833	15,373	2,584	1,369
Provision for expected credit losses on trade receivables and bills receivable, net *(Note 29)*	58,826	76,231	48,685	6,196	37,511
(Reversal of provision)/Provision for expected credit losses on deposits and other receivables, net *(Note 30)*	(999)	4,331	11,294	7,757	6,628
Provision for contract delayed payment	–	–	10,427	–	–
Auditors' remuneration	740	4,163	6,215	593	1,942
Gain on disposal of property, plant and equipment	(216)	(131)	(4,170)	(2,625)	(1,316)
Gain on disposal of subsidiaries *(Note 42)*	(3,662)	(9,093)	–	–	–
Short-term lease charges	10,971	9,150	12,524	3,044	4,107
Employee benefits expenses (including remuneration of directors and supervisors)					
– Wages, salaries and allowances	304,104	320,970	381,074	167,374	191,123
– Social insurance	60,872	86,359	99,319	48,887	60,420
– Welfare and other expenses	45,946	66,891	62,503	27,646	31,357
	410,922	474,220	542,896	243,907	282,900

9. REMUNERATION OF THE DIRECTORS (THE "BOARD") AND THE MEMBERS OF THE SUPERVISORY COMMITTEE

During the Track Record Period, the Company did not have any chief executive officer and non-executive directors.

Certain directors are also appointed as directors of the Company's subsidiaries. The remuneration of the directors is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Fees	–	–	–	–	–
Other emoluments:					
– Salary, allowances and other benefits	1,449	1,224	1,176	609	692
– Performance related bonuses	1,711	1,077	4,399	1,288	724
– Pension scheme contributions	374	391	376	180	203
	3,534	2,692	5,951	2,077	1,619

During the Track Record Period, no independent non-executive directors were appointed and hence no fees and other emoluments payable to the independent non-executive directors.

The list of the directors and supervisors and their remuneration during the Track Record Period are as follows:

	Year ended December 31, 2020				
	Fees	Salary, allowances and other benefits	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Board members					
Mr. GENG Pengpeng[1]	–	199	344	36	579
Mr. WANG Limin	–	254	352	52	658
Mr. ZHANG Yan	–	230	364	52	646
Mr. YAO Mingming[8]	–	53	–	13	66
Mr. LI Junhong[9]	–	54	–	13	67
Mr. REN Rui	–	200	301	52	553
	–	990	1,361	218	2,569
Members of the board of Supervisors					
Mr. LI Huanwen[6]	–	153	–	52	205
Mr. SHI Linxiong[7]	–	148	223	52	423
Mr. ZHANG Qingfu[3]	–	158	127	52	337
	–	459	350	156	965
	–	1,449	1,711	374	3,534

	Year ended December 31, 2021				
	Fees	Salary, allowances and other benefits	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Board members					
Mr. GEN Pengpeng[1]	–	–	–	–	–
Mr. WANG Limin	–	258	405	73	736
Mr. ZHANG Yan	–	220	379	73	672
Mr. REN Rui	–	231	293	73	597
Mr. FENG Cheng[13]	–	–	–	–	–
Mr. ZHANG Hongjie[13]	–	–	–	–	–
Mr. YANG Xiaoqing[13, 14]	–	–	–	–	–
Mr. XU Guanshi[13]	–	–	–	–	–
Mr. YAO Mingming[8]	–	–	–	–	–
Mr. LI Junhong[9]	–	–	–	–	–
Mr. ZHAO Haijiang[2]	–	17	–	6	23
Mr. WANG Jianjun[4]	–	18	–	6	24
Mr. NIU Xiaoping[5]	–	18	–	6	24
	–	762	1,077	237	2,076
Members of the board of Supervisors					
Mr. LI Huanwen[6]	–	124	–	10	134
Mr. SHI Linxiong[7]	–	120	–	53	173
Mr. ZHANG Qingfu[3]	–	118	–	54	172
Mr. CAO Haiyang[10]	–	39	–	12	51
Ms. ZHANG Caixia[11]	–	27	–	9	36
Mr. SHI Meng[12]	–	34	–	16	50
	–	462	–	154	616
	–	1,224	1,077	391	2,692

	Year ended December 31, 2022				
	Fees	Salary, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Board members					
Mr. GENG Pengpeng[1]	–	–	–	–	–
Mr. WANG Limin	–	304	1,448	81	1,833
Mr. ZHANG Yan	–	253	1,328	81	1,662
Mr. REN Rui	–	283	1,294	81	1,658
Mr. FENG Cheng[13]	–	–	–	–	–
Mr. ZHANG Hongjie[13]	–	–	–	–	–
Mr. YANG Xiaoqing[13, 14]	–	–	–	–	–
Mr. MU Jianwei[15]	–	–	–	–	–
Mr. XU Guanshi[13]	–	–	–	–	–
Mr. ZHAO Haijiang[2]	–	–	–	–	–
Mr. WANG Jianjun[4]	–	–	–	–	–
Mr. NIU Xiaoping[5]	–	–	–	–	–
	–	840	4,070	243	5,153
Members of the board of Supervisors					
Mr. LI Huanwen[6]	–	–	–	–	–
Mr. SHI Linxiong[7]	–	–	–	–	–
Mr. ZHANG Qingfu[3]	–	–	–	–	–
Mr. CAO Haiyang[10]	–	43	57	14	114
Ms. ZHANG Caixia[11]	–	130	114	40	284
Mr. SHI Meng[12]	–	163	158	79	400
	–	336	329	133	798
	–	1,176	4,399	376	5,951

	Six months ended June 30, 2022 (unaudited)				
	Fees	Salary, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Board members					
Mr. GENG Pengpeng[1]	–	–	–	–	–
Mr. WANG Limin	–	153	457	37	647
Mr. ZHANG Yan	–	126	195	37	358
Mr. REN Rui	–	141	433	37	611
Mr. FENG Cheng[13]	–	–	–	–	–
Mr. ZHANG Hongjie[13]	–	–	–	–	–
Mr. YANG Xiaoqing[13, 14]	–	–	–	–	–
Mr. MU Jianwei[15]	–	–	–	–	–
Mr. XU Guanshi[13]	–	–	–	–	–
Mr. ZHAO Haijiang[2]	–	–	–	–	–
Mr. WANG Jianjun[4]	–	–	–	–	–
Mr. NIU Xiaoping[5]	–	–	–	–	–
	–	420	1,085	111	1,616
Members of the board of Supervisors					
Mr. LI Huanwen[6]	–	–	–	–	–
Mr. SHI Linxiong[7]	–	–	–	–	–
Mr. ZHANG Qingfu[3]	–	–	–	–	–
Mr. CAO Haiyang[10]	–	43	51	14	108
Ms. ZHANG Caixia[11]	–	64	68	19	151
Mr. SHI Meng[12]	–	82	84	36	202
	–	189	203	69	461
	–	609	1,288	180	2,077

	Six months ended June 30, 2023				
	Fees	Salary, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Board members					
Mr. GENG Pengpeng[1]	–	–	–	–	–
Mr. WANG Limin	–	179	204	42	425
Mr. ZHANG Yan	–	155	177	42	374
Mr. REN Rui	–	173	207	42	422
Mr. FENG Cheng[13]	–	–	–	–	–
Mr. ZHANG Hongjie[13]	–	–	–	–	–
Mr. YANG Xiaoqing[13, 14]	–	–	–	–	–
Mr. MU Jianwei[15]	–	–	–	–	–
Mr. XU Guanshi[13]	–	–	–	–	–
Mr. ZHAO Haijiang[2]	–	–	–	–	–
Mr. WANG Jianjun[4]	–	–	–	–	–
Mr. NIU Xiaoping[5]	–	–	–	–	–
	–	507	588	126	1,221
Members of the board of Supervisors					
Mr. LI Huanwen[6]	–	–	–	–	–
Mr. SHI Linxiong[7]	–	–	–	–	–
Mr. ZHANG Qingfu[3]	–	–	–	–	–
Mr. CAO Haiyang[10]	–	–	–	–	–
Ms. ZHANG Caixia[11]	–	87	57	35	179
Mr. SHI Meng[12]	–	98	79	42	219
	–	185	136	77	398
	–	692	724	203	1,619

Notes:

(1) Mr. GENG Pengpeng resigned as the legal representative of the Company in November 2020;

(2) Mr. ZHAO Haijiang appointed as a Director of the Company in August 2021, resigned as a Director of the Company in September 2021.

(3) Mr. ZHANG Qingfu resigned as a supervisor of the Company in October 2021.

(4) Mr. WANG Jianjun appointed as a Director of the Company in August 2021, resigned as a Director of the Company in September 2021.

(5) Mr. NIU Xiaoping appointed as a Director of the Company in August 2021, resigned as a Director of the Company in September 2021.

(6) Mr. LI Huanwen resigned as a supervisor of the Company in October 2021.

(7) Mr. SHI Linxiong resigned as a supervisor of the Company in October 2021.

(8) Mr. YAO Mingming resigned as a Director of the Company in April 2020.

(9) Mr. LI Junhong resigned as a Director of the Company in April 2020.

(10) Mr. CAO Haiyang appointed as a supervisor of the Company in October 2021.

(11) Ms. ZHANG Caixia appointed as a supervisor of the Company in October 2021.

(12) Mr. SHI Meng appointed as a supervisor of the Company in October 2021.

(13) Mr. ZHANG Hongjie, Mr. YANG Xiaoqing, Mr. XU Guanshi and Mr. FENG Cheng appointed as an outside Directors of the Company in October 2021.

(14) Mr. YANG Xiaoqing resigned as a Director of the Company in March 2022.

(15) Mr. MU Jianwei appointed as a Director of the Company in March 2022.

During the Track Record Period, Mr. ZHANG Hongjie, Mr. YANG Xiaoqing, Mr. XU Guanshi, Mr. FENG Cheng and Mr. MU Jianwei were appointed by Shanxi CIG, where they shall perform their duties. The remuneration of such Directors was paid by Shanxi CIG. In March 2022, Mr. CAO Haiyang was also appointed by Shanxi CIG, where he shall perform his duties. His remuneration was paid by Shanxi CIG since March 2022.

All of those resigned Directors and supervisors have left the Group either due to their respective other work arrangements or due to retirement and none of them has any disagreement with the Board.

10. FIVE HIGHEST PAID EMPLOYEES

During the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the five highest paid employees included 2, 3, 3, 2 and 2 directors, respectively, details of whose emoluments are set out in Note 9. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the highest paid employees who are not the directors or supervisors of the Company were 3, 2, 2, 3 and 3 respectively. The five highest paid employees of the Company are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salary, allowances and other benefits	666	395	543	419	500
Performance related bonuses	1,292	720	1,844	904	751
Pension scheme contributions	164	140	162	113	125
	2,122	1,255	2,549	1,436	1,376

The number of the highest paid employees who are not the Board members or members of the Board of Supervisors whose remuneration fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022** *(Unaudited)*	**2023**
HK$nil-HK$1,000,000	3	2	–	3	3
HK$1,000,001-HK$1,500,000	–	–	1	–	–
HK$1,500,001-HK$2,000,000	–	–	1	–	–

11. INCOME TAX EXPENSE

No provision of Hong Kong profits tax has been provided as no assessable profits arising in Hong Kong during the Track Record Period.

Income tax provision for PRC enterprises is provided on the statutory rate of 25% on the taxable profits of the subsidiaries of the Group as determined in accordance with the Enterprise Income Tax Law of the PRC ("EIT").

Income Tax Preference and Approvals

(I) The Company has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in November 2018, which are eligible to pay EIT at a preferential rate of 15% from November 21, 2018 to December 7, 2024.

(II) Shan'an Bluesky, a subsidiary of the Company, has complied with the requirements under *Notice of the MOF and the SAT regarding the Policies of Value-added Tax, Business Tax and Enterprise Income Tax on Promoting the Development of Energy-saving Service Industry* (《財政部國家稅務總局關於促進節能服務產業發展增值稅營業稅和企業所得稅政策問題的通知》) (Cai Shui [2010] No. 110), which stipulated that qualified energy-saving service enterprises, from the tax year in which the first production and operation income is obtained, those qualified enterprises are exempted from EIT from the first year to the third year of profitability, and from the fourth year to the sixth year, halved. As the contract energy management project of Phase I and Phase II units of heat supply engineering by Shanxi Xingneng Power Generation Co., Ltd.* (山西興能發電有限責任公司), satisfy the relevant conditions, it enjoy such preferential tax treatment with a valid period from January 1, 2016 to December 31, 2021. Shan'an Bluesky has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in December 2021, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 7, 2021 to December 6, 2024.

(III) Gaoping Xinshi Yangtian Solar Power Company Limited (高平市鑫時陽田光伏發電有限公司), a subsidiary of the Company, has complied with the requirements under *Notice of the MOF and the SAT regarding the Implementation of the Catalogue of Preferential Enterprise Income Taxes for Public Infrastructure Projects* (《財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》) (Cai Shui [2008] No. 46), which stipulated that enterprises that engaged in public infrastructure projects approved on January 1, 2008 and satisfied the relevant conditions and technical standards and the relevant national investment management regulations in the catalogue, from the tax year in which the first production and operation income is obtained, the proceeds from investment in those qualified enterprises are exempted from EIT from the first year to the third year of profitability, and from the fourth year to the sixth year, halved. As the Company's photovoltaic power generation projects fall under the preferential matters that "the proceeds from the investment and operation of key public infrastructure projects supported by the state shall be reduced or exempted from EIT on a regular basis" and has initiated the relevant filings, it enjoys such preferential tax treatment valid from January 1, 2017 to December 31, 2022. Gaoping Xinshi Yangtian Solar Power Company Limited has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in December 2021, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 7, 2021 to December 6, 2024.

(IV) Shanxi Shan'an Biquan Haimian City Technology Company Limited (山西山安碧泉海綿城市科技有限公司), Shanxi Shan'an Lide Environmental Technology Company Limited (山西山安立德環保科技有限公司) and Shanxi Shan'an Maode Distributed Energy Technology Company Limited (山西山安茂德分布式能源科技有限公司), subsidiaries of the Company, have obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in September 2019 and November 2019, respectively, which are eligible to pay EIT at a preferential rate of 15% for a term of three years from September 16, 2019 to September 15, 2022 and from November 25, 2019 to November 24, 2022, respectively. In 2022, the Shanxi Shan'an Biquan Haimian City Technology Company Limited, and Shanxi Shan'an Maode Distributed Energy

Technology Company Limited have further obtained the Certificates of High and New-Technology Enterprise, which are eligible to pay EIT at a preferential rate of 15% for a term of three years from December 12, 2022 to December 11, 2025. From November 25, 2022, Shanxi Shan'an Lide Environmental Technology Company Limited is not entitle to this preferential tax treatment.

(V) The Group's operations in the PRC enjoys an additional research and development allowance tax treatment in accordance to EIT.

An additional 50% deduction of the research and development expense incurred from the research and development of new technologies, new products, and new techniques on the basis of the actual expenditure where no intangible asset has been capitalized from the research and development. If intangible assets have been capitalized, an additional 150% deduction was allowed on the amortization of the intangible assets.

According to the announcement and notice issued by the Ministry of Finance of the PRC (中華人民共和國財政部) and the State Taxation Administration of the PRC (中華人民共和國國家稅務總局), additional deduction ratio of research and development expenses was increase from 50% to 75% and additional deduction ratio of amortization of the intangible assets was increase from 150% to 175% during the period from January 1, 2018 to December 31, 2023.

According to the announcement issued by the Ministry of Finance of the PRC, the State Taxation Administration of the PRC, and the Ministry of Science and Technology, additional deduction of research and development expenses was increased on the current deduction ratio from 75% to 100% and additional deduction ratio of amortization of the intangible assets was increased on the current deduction ratio from 175% to 200% since October 1, 2022.

Land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT ("Provisional Regulations") effective from January 1, 1994, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on LAT effective from January 27, 1995, all income from the sale, transfer or lease of state-owned land, buildings and their attached facilities is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated and recognized tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. During the Track Record Period, the Group's residential properties' appreciation values do not exceed 20% of the sum of the total deductible items and hence no LAT provided. The actual LAT are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

Total income tax expenses are as follow:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Current income tax	54,288	39,257	52,568	27,369	19,916
Over provision in prior years	(821)	–	–	–	–
	53,467	39,257	52,568	27,369	19,916
Deferred tax	18,481	(15,136)	(40,222)	(976)	(9,224)
Income tax expense	71,948	24,121	12,346	26,393	10,692

A reconciliation of the income tax expense applicable to profit before tax using the income tax rate applicable in Mainland China to the income tax expense at the Group's effective income tax rate during the Track Record Period is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	354,181	212,155	212,782	162,550	120,924
Income tax charge at the statutory income tax rate	78,354	49,417	34,758	33,693	17,927
Over provision in prior years	(821)	–	–	–	–
Tax effect of non-taxable income	(49)	(4,247)	–	–	–
Tax effect of share of loss/(profit) of associates	372	863	(828)	(914)	(346)
Tax effect of non-deductible expense*	24,069	42,284	42,134	7,330	7,235
Tax effect of temporary differences not recognized	–	(59)	–	–	–
Tax affect at utilization of temporary differences previously not recognized	–	–	–	9,229	–
Tax effect at utilization of tax losses previously not recognized	–	(105)	–	–	–
Tax effect of tax losses not recognized	28,324	13,378	19,538	6,555	11,974
Tax effect of PRC tax concession	(8,445)	(10,644)	–	–	(13)
Tax effect of additional research and development expenditure	(49,856)	(66,766)	(83,256)	(29,500)	(26,085)
Income tax expense	71,948	24,121	12,346	26,393	10,692

* Mainly includes ECL allowance for financial assets and contract assets, the expenditures that were not incurred in chargeable income, including fines and other penalties as well as other miscellaneous expenses that not eligible for tax deductible purpose during the Track Record Period.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, the profit for the year/period attributable to equity holders of the parent company amounted to RMB216,356,000, RMB124,830,000, RMB150,882,000, RMB107,693,000 and RMB84,465,000, respectively.

13. DIVIDENDS

Dividends during the Track Record Period are recorded as follows:

	For the year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dividends declared to equity holders of the Company	99,671	113,469	28,767	28,767	71,678

14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the Company, and the deemed weighted average number of ordinary shares in issue during the Track Record Period.

The basic earnings per share during the Track Record Period is calculated based on the profit attributable to the equity holders of the Company and on the assumption that the conversion of the Company from a limited liability company to a joint stock company with limited liability had been taken place since 1 January 2020 (the earliest date presented in the Historical Financial Information).

Diluted earnings per share is the same as the basic earnings per share amounts presented for the Track Record Period as the Group had no potentially dilutive ordinary shares in issue during the Track Record Period.

The following table illustrates the earnings and share information used in the calculation of basic earnings per share:

	For the year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Earnings:					
Profit attributable to equity holders of ordinary shares of the parent company for the purpose of calculating basic earnings per share	216,356	124,830	150,882	107,693	84,465

	For the year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	'000	*'000*	*'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Number of shares:					
Weighted average number of ordinary shares issued during the year/period for the purpose of calculating basic earnings per share	700,000	866,667	1,000,000	1,000,000	1,000,000
Earnings per share	0.31	0.14	0.15	0.11	0.08

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and structure *RMB'000*	Construction machinery *RMB'000*	Transportation and production equipment *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
As at January 1, 2020						
Cost	241,376	37,247	519,553	26,460	515,394	1,340,030
Accumulated depreciation	(35,598)	(15,502)	(206,530)	(14,445)	–	(272,075)
Net book amount	205,778	21,745	313,023	12,015	515,394	1,067,955
For the year ended December 31, 2020						
Net book amount at the beginning of the year	205,778	21,745	313,023	12,015	515,394	1,067,955
Additions	5,960	13,319	1,488	11,921	130,118	162,806
Disposals	(17,790)	(724)	(14)	(96)	–	(18,624)
Disposal of a subsidiary *(Note 42.1)*	–	–	–	–	(397,989)	(397,989)
Transfers	47,130	351	160,043	7,447	(214,971)	–
Depreciation	(9,975)	(5,677)	(46,854)	(3,184)	–	(65,690)
	231,103	29,014	427,686	28,103	32,552	748,458
As at December 31, 2020 and January 1, 2021						
Cost	276,676	50,193	681,070	45,732	32,552	1,086,223
Accumulated depreciation	(45,573)	(21,179)	(253,384)	(17,629)	–	(337,765)
Net book amount	231,103	29,014	427,686	28,103	32,552	748,458
For the year ended December 31, 2021						
Net book amount at the beginning of the year	231,103	29,014	427,686	28,103	32,552	748,458
Additions	50,832	10,839	26,704	10,807	103,946	203,128
Disposals	(1,201)	(1,370)	(1,699)	(421)	–	(4,691)
Disposal of subsidiaries *(Note 42)*	–	(20,342)	(10,426)	(384)	–	(31,152)
Transferred to investment properties	(135)	–	–	–	–	(135)
Transfers	50,872	1,023	2,816	216	(54,927)	–
Depreciation	(24,412)	(6,955)	(53,018)	(8,123)	–	(92,508)
Net book amount at the end of the year	307,059	12,209	392,063	30,198	81,571	823,100
As at December 31, 2021 and January 1, 2022						
Cost	377,044	40,343	698,465	55,950	81,571	1,253,373
Accumulated depreciation	(69,985)	(28,134)	(306,402)	(25,752)	–	(430,273)
Net book amount	307,059	12,209	392,063	30,198	81,571	823,100

	Buildings and structure	Construction machinery	Transportation and production equipment	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For year ended December 31, 2022						
Net book amount at the beginning of the year	307,059	12,209	392,063	30,198	81,571	823,100
Additions	17,144	2,673	4,206	6,529	216,563	247,115
Disposals	(6,783)	–	(2,415)	(1,387)	–	(10,585)
Transfer	–	–	3,852	89	(3,941)	–
Depreciation	(24,098)	(1,657)	(53,121)	(8,405)	–	(87,281)
Net book amount at the end of the year	293,322	13,225	344,585	27,024	294,193	972,349
As at December 31, 2022 and January 1, 2023						
Cost	387,405	43,016	704,108	61,181	294,193	1,489,903
Accumulated depreciation	(94,083)	(29,791)	(359,523)	(34,157)	–	(517,554)
Net book amount	293,322	13,225	344,585	27,024	294,193	972,349
For six months ended June 30, 2023						
Net book amount at the beginning of the period	293,322	13,225	344,585	27,024	294,193	972,349
Additions	725	33	1,821	2,169	134,210	138,958
Disposals	–	(25)	(310)	(182)	–	(517)
Transfer	149,906	–	310	17	(150,233)	–
Depreciation	(10,770)	(1,092)	(26,586)	(3,758)	–	(42,206)
Net book amount at the end of the period	433,183	12,141	319,820	25,270	278,170	1,068,584
As at June 30, 2023						
Cost	538,036	43,024	705,929	63,185	278,170	1,628,344
Accumulated depreciation	(104,853)	(30,883)	(386,109)	(37,915)	–	(559,760)
Net book amount	433,183	12,141	319,820	25,270	278,170	1,068,584

The Company

	Buildings and structure	Construction machinery	Transportation and production equipment	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2020					
Cost	208,566	13,126	23,451	24,127	269,270
Accumulated depreciation	(33,146)	(8,900)	(11,306)	(13,823)	(67,175)
Net book amount	175,420	4,226	12,145	10,304	202,095

	Buildings and structure *RMB'000*	Construction machinery *RMB'000*	Transportation and production equipment *RMB'000*	Office equipment and others *RMB'000*	Total *RMB'000*
For the year ended December 31, 2020					
Net book amount at the beginning of the year	175,420	4,226	12,145	10,304	202,095
Additions	5,370	7,705	1,292	–	14,367
Disposals	(15,761)	(421)	(15)	(95)	(16,292)
Depreciation	(7,652)	(1,340)	(2,434)	(1,427)	(12,853)
Net book amount at the end of the year	157,377	10,170	10,988	8,782	187,317
As at December 31, 2020 and January 1, 2021					
Cost	198,175	20,410	24,728	24,032	267,345
Accumulated depreciation	(40,798)	(10,240)	(13,740)	(15,250)	(80,028)
Net book amount	157,377	10,170	10,988	8,782	187,317
For the year ended December 31, 2021					
Net book amount at the beginning of the year	157,377	10,170	10,988	8,782	187,317
Additions	50,832	2,482	4,953	2,257	60,524
Disposals	(1,201)	(469)	(1,554)	(156)	(3,380)
Transfer into investment properties	(135)	–	–	–	(135)
Depreciation	(19,633)	(2,693)	(2,570)	(3,854)	(28,750)
Net book amount at the end of the year	187,240	9,490	11,817	7,029	215,576
As at December 31, 2021 and January 1, 2022					
Cost	247,671	22,423	28,127	26,133	324,354
Accumulated depreciation	(60,431)	(12,933)	(16,310)	(19,104)	(108,778)
Net book amount	187,240	9,490	11,817	7,029	215,576
For year ended December 31, 2022					
Net book amount at the beginning of the year	187,240	9,490	11,817	7,029	215,576
Additions	17,144	2,673	2,203	5,207	27,227
Disposals	(6,783)	–	(2,152)	–	(8,935)
Depreciation	(18,580)	(1,341)	(2,204)	(2,836)	(24,961)
Net book amount at the end of the year	179,021	10,822	9,664	9,400	208,907

	Buildings and structure	Construction machinery	Transportation and production equipment	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2022 and January 1, 2023					
Cost	258,032	25,096	28,178	31,340	342,646
Accumulated depreciation	(79,011)	(14,274)	(18,514)	(21,940)	(133,739)
Net book amount	179,021	10,822	9,664	9,400	208,907
For six months ended June 30, 2023					
Net book amount at the beginning of the period	179,021	10,822	9,664	9,400	208,907
Additions	725	33	579	1,882	3,219
Disposals	–	(25)	(310)	(182)	(517)
Depreciation	(8,171)	(1,010)	(845)	(1,425)	(11,451)
Net book amount at the end of the period	171,575	9,820	9,088	9,675	200,158
As at June 30, 2023					
Cost	258,757	25,104	28,447	33,040	345,348
Accumulated depreciation	(87,182)	(15,284)	(19,359)	(23,365)	(145,190)
Net book amount	171,575	9,820	9,088	9,675	200,158

As of December 31, 2020, 2021, 2022 and June 30, 2023, the Group have not pledged property, plant and equipment to secure bank borrowings and other borrowings granted to the Group.

16. INVESTMENT PROPERTIES

The Group and the Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	176,449	182,748	183,679	186,120
Transfer from property, plant and equipment	–	135	–	–
Fair value gain for the year/period, net	6,299	796	2,441	110
Carrying amount at the end of the year/period	182,748	183,679	186,120	186,230

The Group's investment properties consist of commercial properties located in Taiyuan, Datong and Jinzhong, Shanxi Province in mainland China. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the fair values of the investment properties of the Group were assessed by an independent professional qualified valuer.

Investment properties are leased in the manner specified in the operating leases, details of which are summarized in note 47 to the Historical Financial Information.

Fair value hierarchy

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the fair value of all of the Group's investment properties were categorized as level 3 fair value hierarchy, details of the changes are stated above.

The Board are of the view that all fair value measurement are based on the investment properties' highest and best use.

The following table sets out the fair value of the Group's investment properties:

	Fair value measurement using significant unobservable inputs (level 3)			
	As at December 31,			**As at June 30,**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement:				
Office properties	182,748	182,785	185,218	185,330
Residential properties	–	894	902	900
	182,748	183,679	186,120	186,230

During the Track Record Period, there have been no transfers into or out of Level 3.

The following is a summary of the valuation techniques used and the key inputs to the fair value measurement of investment properties:

	Valuation techniques	**Significant unobservable inputs**	**Range or weighted average**				**Relationship between unobservable inputs and fair value**
			As at December 31,			**As at June 30,**	
			2020	**2021**	**2022**	**2023**	
			RMB'000 / m²	*RMB'000 / m²*	*RMB'000 / m²*	*RMB'000 / m²*	
Office properties – Taiyuan	Market comparison approach	Price adjustment	10	10	10	10	The higher the price adjustment, the higher the fair value.
Office properties – Datong	Market comparison approach	Price adjustment	7	9	9	9	The higher the price adjustment, the higher the fair value.
Residential properties – Jinzhong	Market comparison approach	Price adjustment	–	9	9	9	The higher the price adjustment, the higher the fair value.

The market comparison approach making reference to recent selling prices of comparable properties per square meter with price adjustment, the adjustment are made by comparing the quality, location, views, floors and remaining useful lives of the properties of comparable properties and subject properties. There were no changes in valuation techniques during the Track Record Period.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the Group has not pledged investment properties to secure bank borrowings and other borrowings.

17. RIGHT-OF-USE ASSETS

The Group

An analysis of the net book amount of right-of-use assets by relevant asset class is as follows:

	Land use right	Leased properties and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2020			
Cost	21,659	69,887	91,546
Accumulated depreciation	(2,058)	(2,782)	(4,840)
Net book amount	19,601	67,105	86,706
For the year ended December 31, 2020			
Net book amount at the beginning of the year	19,601	67,105	86,706
Additions	28,838	9,371	38,209
Depreciation	(592)	(4,666)	(5,258)
Net book amount at the end of the year	47,847	71,810	119,657
As at December 31, 2020 and January 1, 2021			
Cost	50,497	79,258	129,755
Accumulated depreciation	(2,650)	(7,448)	(10,098)
Net book amount	47,847	71,810	119,657
For the year ended December 31, 2021			
Net book amount at the beginning of the year	47,847	71,810	119,657
Additions	60,027	2,354	62,381
Disposals	–	(579)	(579)
Disposal of a subsidiary *(Note 42.3)*	–	(820)	(820)
Depreciation	(2,507)	(4,358)	(6,865)
Net book amount at the end of the year	105,367	68,407	173,774
As at December 31, 2021 and January 1, 2022			
Cost	110,524	80,213	190,737
Accumulated depreciation	(5,157)	(11,806)	(16,963)
Net book amount	105,367	68,407	173,774

	Land use right	Leased properties and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
For year ended December 31, 2022			
Net book amount at the beginning of the year	105,367	68,407	173,774
Additions	2,460	3,733	6,193
Depreciation	(2,423)	(6,882)	(9,305)
Net book amount at the end of the year	105,404	65,258	170,662
As at December 31, 2022 and January 1, 2023			
Cost	112,984	83,946	196,930
Accumulated depreciation	(7,580)	(18,688)	(26,268)
Net book amount	105,404	65,258	170,662
For six months ended June 30, 2023			
Net book amount at the beginning of the period	105,404	65,258	170,662
Addition	17,474	5,433	22,907
Depreciation	(1,400)	(5,806)	(7,206)
Net book amount at the end of the period	121,478	64,885	186,363
As at June 30, 2023			
Cost	130,458	89,379	219,837
Accumulated depreciation	(8,980)	(24,494)	(33,474)
Net book amount	121,478	64,885	186,363

During the Track Record Period, the Group has entered into three, five, two and eight lease agreements for the purpose of, inter alia, an existing centralized heating facilities for a lease term of 20 years, 12 pieces of land for lease terms of 25-50 years and 17 office buildings for lease teams of 1-5 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants. Details of the carrying amount of right-of-use assets are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use right	47,847	105,367	105,404	121,478
Office buildings	14,544	13,217	12,144	12,808
Centralized heating facilities	57,266	55,190	53,114	52,077
	119,657	173,774	170,662	186,363

The Company

An analysis of the net book amount of right-of-use assets by relevant asset class is as follows:

	Land use right	Leased properties and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2020			
Cost	8,589	510	9,099
Accumulated depreciation	(1,451)	(340)	(1,791)
Net book amount	7,138	170	7,308
For the year ended December 31, 2020			
Net book amount at the beginning of the year	7,138	170	7,308
Additions	–	7,682	7,682
Depreciation	(172)	(1,153)	(1,325)
Net book amount at the end of the year	6,966	6,699	13,665
As at December 31, 2020 and January 1, 2021			
Cost	8,589	8,192	16,781
Accumulated depreciation	(1,623)	(1,493)	(3,116)
Net book amount	6,966	6,699	13,665
For the year ended December 31, 2021			
Net book amount at the beginning of the year	6,966	6,699	13,665
Additions	60,027	2,353	62,380
Depreciation	(1,522)	(1,997)	(3,519)
Net book amount at the end of the year	65,471	7,055	72,526
As at December 31, 2021 and January 1, 2022			
Cost	68,616	10,545	79,161
Accumulated depreciation	(3,145)	(3,490)	(6,635)
Net book amount	65,471	7,055	72,526
For year ended December 31, 2022			
Net Book amount at the beginning of the year	65,471	7,055	72,526
Addition	2,460	1,373	3,833
Depreciation	(1,523)	(3,565)	(5,088)
Net book amount at the end of the year	66,408	4,863	71,271

	Land use right	Leased properties and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2022 and January 1, 2023			
Cost	71,076	11,918	82,994
Accumulated depreciation	(4,668)	(7,055)	(11,723)
Net book amount	66,408	4,863	71,271
For six months ended June 30, 2023			
Net Book amount at the beginning of the period	66,408	4,863	71,271
Addition	–	2,933	2,933
Depreciation	(802)	(3,909)	(4,711)
Net book amount at the end of the period	65,606	3,887	69,493
As at June 30, 2023			
Cost	71,076	14,851	85,927
Accumulated depreciation	(5,470)	(10,964)	(16,434)
Net book amount	65,606	3,887	69,493

During the Track Record Period, the Company has entered into two, five, one and three lease agreements for the purpose of 7 pieces of land for lease terms of 40-50 years and 12 office buildings for lease terms of 1-5 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants. Details of the carrying amount of right-of-use assets are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use right	6,966	65,471	66,408	65,606
Production facilities	6,699	7,055	4,863	3,887
	13,665	72,526	71,271	69,493

18. INTANGIBLE ASSETS

The Group

	Patent rights	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
As at January 1, 2020	126	1,471	1,597
Additions	112	152	264
As at January 1, 2021	238	1,623	1,861
Additions	169	1,113	1,282
Disposal of a subsidiary *(Note 42)*	–	(4)	(4)
As at December 31, 2021 and January 1, 2022	407	2,732	3,139
Additions	2	509	511
As at December 31, 2022 and January 1, 2023	409	3,241	3,650
Additions	74	–	74
As at June 30, 2023	483	3,241	3,724
Accumulated amortization			
As at January 1, 2020	25	831	856
Amortization	17	384	401
As at December 31, 2020 and January 1, 2021	42	1,215	1,257
Amortization	31	415	446
As at December 31, 2021 and January 1, 2022	73	1,630	1,703
Amortization	39	689	728
As at December 31, 2022 and January 1, 2023	112	2,319	2,431
Amortization	21	318	339
As at June 30, 2023	133	2,637	2,770
Net book amount			
As at December 31, 2020	196	408	604
As at December 31, 2021	334	1,102	1,436
As at December 31, 2022	297	922	1,219
As at June 30, 2023	350	604	954

The Company

	Patent rights	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
As at January 1, 2020	–	1,463	1,463
Additions	–	20	20
As at December 31, 2020 and January 1, 2021	–	1,483	1,483
Additions	134	1,108	1,242
As at December 31, 2021 and January 1, 2022	134	2,591	2,725
Additions	–	500	500
As at December 31, 2022 and January 1, 2023	134	3,091	3,225
Additions	–	–	–
As at June 30, 2023	134	3,091	3,225
Accumulated amortization			
As at January 1, 2020	–	827	827
Amortization	–	376	376
As at December 31, 2020 and January 1, 2021	–	1,203	1,203
Amortization	6	392	398
As at December 31, 2021 and January 1, 2022	6	1,595	1,601
Amortization	13	619	632
As at December 31, 2022 and January 1, 2023	19	2,214	2,233
Amortization	7	314	321
As at June 30, 2023	26	2,528	2,554
Net book amount			
As at December 31, 2020	–	280	280
As at December 31, 2021	128	996	1,124
As at December 31, 2022	115	877	992
As at June 30, 2023	108	563	671

19. GOODWILL

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Goodwill	15,000	15,000	15,000	15,000

On April 3, 2018, the Company acquired 51% equity of Shanxi Ningyang Energy Co., Ltd. from two independent third parties, resulting in goodwill of RMB15,000,000.

The Company conducted impairment assessment of goodwill at the end of each of the Track Record Period by engaging independent professional valuers to valuate the recoverable amount of the entire shareholders' equity interest of Shanxi Ningyang, and issued the asset evaluation reports. The value in use calculation is used for valuation of the recoverable amount. The assessment is based on the estimated cash flow forecast in the next 5 years based on the financial budget approved by the management. The terminal growth rate of the cash flow forecast adopted in the following years is 0% for prudence sake. The pre-tax discount rate adopted as at December 31, 2020, 2021 and 2022 and June 30, 2023 was 12.77%, 12.36%, 11.23% and 11.23%, respectively. The management prepared the above financial budgets based on past performance and its expectations for market development. The present value of future cash flows reflects the risk relative to the segment concerned.

Based on the results of the impairment assessment of goodwill, the recoverable amounts of CGU of approximately RMB355,718,000, RMB418,944,000, RMB376,330,000 and RMB276,884,000 is greater than its carrying amounts of approximately RMB271,904,000, RMB265,022,000, RMB251,174,000 and RMB244,655,000 as at December 31, 2020, 2021 and 2022 and June 30, 2023 respectively. Based on the results of the impairment testing of goodwill, in the opinion of the management of the Group, no impairment provision is considered necessary for the Group's goodwill as at December 31, 2020, 2021 and 2022 and June 30, 2023. Management believes that any reasonably possible changes to the key assumptions applied would not lead to impairment of goodwill as at December 31, 2020, 2021 and 2022 and June 30, 2023.

The sensitivity analysis as at December 31, 2020, 2021 and 2022 and June 30, 2023 set forth below has been determined based on the exposure to the pre-tax discount rate and five-year period growth rate, representing the key inputs to the determination of the recoverable amounts.

The management performed the sensitivity analysis assuming the abovementioned key assumptions have been changed. Had the estimated key assumptions been changed as below, the headroom would be increased/(decreased) by:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Five-year period growth rate increased by 2%	45,099	46,870	56,221	32,176
Five-year period growth rate decreased by 2%	(45,101)	(46,876)	(52,469)	(30,477)
Pre-tax discount rate decreased by 0.5%	11,758	16,311	16,771	11,843
Pre-tax discount rate increased by 0.5%	(10,927)	(15,073)	(15,354)	(10,846)

20. CONTRACT ASSETS, RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS AND CONTRACT LIABILITIES

The Group

(a) Contract assets and receivables under service concession arrangements

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets arising from construction contracts				
– Contract assets on PPP projects	1,725,663	901,296	764,296	820,601
– EPC projects	1,468,470	3,521,803	5,090,635	5,433,806
	3,194,133	4,423,099	5,854,931	6,254,407
Retention receivable	130,367	286,169	554,051	500,253
Expected credit losses	(14,069)	(33,496)	(76,482)	(79,954)
	3,310,431	4,675,772	6,332,500	6,674,706
Less: Non-current portion of contract assets *(Note)*	(1,538,069)	(931,545)	(1,163,796)	(1,146,261)
	1,772,362	3,744,227	5,168,704	5,528,445
Receivables under service concession arrangements	1,053,098	2,430,661	2,769,022	2,875,202
Expected credit losses	(4,457)	(17,290)	(32,663)	(34,032)
	1,048,641	2,413,371	2,736,359	2,841,170
Less: Non-current portion of receivables under service concession arrangements *(Note)*	(969,838)	(2,104,580)	(2,405,701)	(2,475,562)
	78,803	308,791	330,658	365,608

Note: As of December 31, 2020, 2021 and 2022 and June 30, 2023, the non-current portion of contract assets and receivables under service concession arrangements of the PPP projects was amounted to approximately RMB2,450,852,000, RMB2,901,220,000, RMB2,972,086,000 and RMB3,126,528,000 respectively. Please refer to Note 26 for the details of the Group's arrangements under the PPP projects.

The Group's construction contracts include payment schedule that requires progress payments to be made during the construction period once certain milestones are reached. The Group requests customers to pay a deposit as part of its credit risk management policy. The Group also agrees to use 3%-10% of the contract value as a retention for the completed contracts for a retention period of 1-3 years. This amount will be included in the contract assets until the end of the retention period, as the Group's right to this final payment is subject to customer's satisfaction with the Group's work.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the receivables under service concession arrangements of the Group were not past due.

For the year ended December 31, 2021, the significant increase in contract assets was mainly due to an increase in construction engineering services at the end of the year. During the year ended December 31, 2022, the significant increase in contract assets was primarily due to the impact of COVID-19 on the Company's settlement cycle with the owner.

(b) Contract liabilities

The Group's contract liabilities are mainly arising from construction contracts from billings in advance of performance.

Movements in contract liabilities

	As at December 31, 2020	2021	2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,403,667	1,105,325	1,407,394	2,166,314
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the year/period	(2,137,677)	(2,298,429)	(1,768,519)	(1,740,908)
Increase of receipts in advance from customers	1,839,335	2,600,498	2,527,439	1,285,550
At the end of the year/period	1,105,325	1,407,394	2,166,314	1,710,956

Receiving a deposit before the production activity commences will give rise to contract liabilities at the commencement of a contract until the revenue recognized on the construction project exceeds the amount of the deposit.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the gross amount due to customers for contract work is expected to be settled within one year.

The Company

(a) Contract assets and receivables under service concession arrangements

	As at December 31, 2020	2021	2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets arising from construction contracts				
– Contract assets on PPP projects	124,965	222,709	42,786	113,870
– EPC projects	1,407,621	3,435,147	4,992,567	5,363,842
	1,532,586	3,657,856	5,035,353	5,477,712
Retention receivable	130,367	286,169	553,440	498,834
Expected credit losses	(7,511)	(29,210)	(66,365)	(69,157)
	1,655,442	3,914,815	5,522,428	5,907,389
Less: Non-current portion of contract assets	(105,550)	(275,913)	(600,474)	(501,766)
	1,549,892	3,638,902	4,921,954	5,405,623
Receivables under service concession arrangements	113,104	76,304	132,806	143,790
Expected credit losses	(511)	(565)	(1,577)	(1,664)
	112,593	75,739	131,229	142,126

The Company's construction contracts include payment schedule that requires progress payments to be made during the construction period once certain milestones are reached. The Company requests customers to pay a deposit as part of its credit risk management policy. The Company also agrees to use 3%-10% of the contract value as a retention for the completed contracts for a retention period of 1-3 years. This amount will be included in the contract assets until the end of the retention period, as the Company's right to this final payment is subject to customer's satisfaction with the Company's work.

For the year ended December 31, 2021, the significant increase in contract assets was mainly due to an increase in construction engineering services at the end of the year. During the year ended December 31, 2022, the significant increase in contract assets was primarily due to the adverse impact of COVID-19 on the Company's settlement cycle with the owner.

(b) Contract liabilities

The Company's contract liabilities mainly arising from construction contracts from billings in advance of performance.

Movements in contract liabilities

	As at December 31,			**As at June 30,**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,497,046	1,198,165	1,478,741	2,055,348
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the year/period	(1,947,687)	(2,087,691)	(1,477,693)	(1,583,847)
Increase of receipts in advance from customers	1,648,806	2,368,267	2,054,300	1,167,186
At the end of the year/period	1,198,165	1,478,741	2,055,348	1,638,687

Receiving a deposit before the production activity commences will give rise to contract liabilities at the commencement of a contract until the revenue recognized on the construction project exceeds the amount of the deposit.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the gross amount due to customers for contract work is expected to be settled within one year.

21. INVESTMENT IN ASSOCIATES

Details of associates are as follow:

Names of associates	Particulars of issued the shares held	Place of registration and place of business	Registered capital	Paid-up capital				Percentage of ownership interest attributable to the Group and the Company				Principal business(es)
				As at December 31,			As at June 30,	As at December 31,			As at June 30,	
				2020	2021	2022	2023	2020	2021	2022	2023	
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*					
Shanxi Jianfa Comprehensive Energy Development Co., Ltd. (山西建發綜合能源開發有限公司)	Ordinary Share	PRC/ Mainland China	100,000	2,000	3,340	38,840	38,840	40.12%	40.12%	40.01%	40.01%	Development and utilization of renewable energy
Changzhi Caihui Shanan Energy Technology Co., Ltd. (長治市財匯山安能源科技有限公司)	Ordinary Share	PRC/ Mainland China	20,000	20,000	20,000	20,000	20,000	40%	40%	40%	40%	Industrial installation engineering technical consultation
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd. (山西轉型綜合改革示範區山安瀟河建築產業有限公司) (formerly known as "Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Green Building Technology Co., Ltd. (山西轉型綜改示範區山安綠築科技有限公司)")	Ordinary Share	PRC/ Mainland China	90,000	72,900	90,000	90,000	90,000	20%	20%	20%	20%	Steel structure construction
Shanxi Construction Investment International Investment Co., Ltd. (山西建投國際投資有限公司)	Ordinary Share	PRC/ Mainland China	100,000	–	3,000	97,000	97,000	30%	30%	30%	30%	Foreign investment and foreign project contracting
Yu'an Hengchuang (譽安恒創)	Ordinary Share	PRC/ Mainland China	11,000	–	11,000	11,000	11,000	–	20%	20%	20%	Leasing, maintenance of construction equipment and general machinery and equipment and construction labor subcontracting
Jincheng Danhe Huada Real Estate Development Co., Ltd. (晉城丹河華達房地產開發有限公司)[1]	Ordinary Share	PRC/ Mainland China	10,000	10,000	–	–	–	50%	–	–	–	Property development and sales
Jincheng Danhe Huasheng Real Estate Development Co., Ltd. (晉城丹河華盛房地產開發有限公司)[1]	Ordinary Share	PRC/Mainland China	10,000	10,000	–	–	–	50%	–	–	–	Property development and sales

Names of associates	Particulars of issued the shares held	Place of registration and place of business	Registered capital	Paid-up capital				Percentage of ownership interest attributable to the Group and the Company				Principal business(es)
				As at December 31,			As at June 30,	As at December 31,			As at June 30,	
				2020	2021	2022	2023	2020	2021	2022	2023	
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*					
Shanxi Jiantou Cloud Data Technology Co., Ltd. (山西建投雲數智科技有限公司)	Ordinary Share	PRC/Mainland China	20,000	–	20,000	20,000	20,000	–	20%	20%	20%	Software and information technology services
Shanxi Jiantou Linfen Construction Industry Co., Ltd. (山西建投臨汾建築產業有限公司)	Ordinary Share	PRC/Mainland China	300,000	–	90,000	90,000	90,000	–	10%	10%	10%	Sales of non-metallic mineral products
Jinjian Shan'an (山西晉建山安股權投資合夥企業(有限合夥))[(2)]	Ordinary Share	PRC/Mainland China	200,000	–	–	120,000	120,000	–	–	74%	74%	Private equity investment fund management and venture capital fund management services
Taiyuan Xie'an Property Service Co., Ltd. (太原諧安物業服務有限公司)	Ordinary Share	PRC/Mainland China	3,000	–	–	3,000	3,000	–	–	49%	49%	Catering service and property management
Changzi Jinjian (長子晉建防洪排澇項目管理有限公司)[(3)]	Ordinary Share	PRC/Mainland China	104,845	–	–	–	25,163	–	–	–	26.4%	Construction project management on flood control and drainage

(1) During the year ended December 31, 2021, the Group disposed of its equity interests in Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. with an aggregate carrying amount of RMB6,892,000 for an aggregate cash consideration of RMB12,398,000 to the related party, who is controlled by the Shanxi CIG, and the resulted gain on disposal of investments in associates of RMB5,506,000 has been recognized in profit or loss.

(2) During the year ended December 31, 2022, the Group established Jinjian Shan'an with the independent third parties. The Group injected RMB89,000,000 in Jinjian Shan'an to obtain 74% of the equity interest of Jinjian Shan'an and the directors considered the Group only possesses significant influence cover Jinjian Shan'an, details of which are set out in Note 4.

(3) During the six months ended June 30, 2023, the Group established Changzi Jinjian with other three investors, of which the two investors are controlled by Shanxi CIG and one investor is the Independent third party. The Group injected RMB8,304,000 in Changzi Jinjian to obtain 26.4% of the equity interest of Changzi Jinjian and the directors considered the Group possesses significant influence cover Changzi Jinjian, details of which are set out in Note 4.

The Group and the Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets at the beginning of the year/period	35,088	32,609	46,137	183,327
Additions	–	17,340	131,669	8,304
Transfer upon disposal of a subsidiary with loss of control *(Note 42.3)*	–	8,836	–	–
Total comprehensive (loss)/income for the year/period	(2,479)	(5,756)	5,521	2,310
Disposal	–	(6,892)	–	–
Share of net assets at the end of the year/period	32,609	46,137	183,327	193,941

Set out below are the summarised financial information of each of the material associates which are accounted for using the equity method:

	Jinjian Shan'an	
	As at December 31, 2022	**As at June 30, 2023**
	RMB'000	*RMB'000*
Current assets	120,065	120,064
Non-current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Net assets	120,065	120,064
Revenue	422	–
Profit/(loss) and total comprehensive income/(loss) for the year/period	65	(1)
Dividends received from associates	–	–

	Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.			
	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	11,837	11,375	13,445	9,146
Non-current assets	63,766	83,861	123,481	179,909
Current liabilities	(6,180)	(7,301)	(21,121)	(76,493)
Non-current liabilities	–	(19,181)	(34,338)	(32,142)
Net assets	69,423	68,754	81,467	80,420
Revenue	–	–	147	–
(Loss)/profit and total comprehensive (loss)/income for the year/period	(1,917)	(17,769)	12,713	(1,047)
Dividends received from associates	–	–	–	–

	Shanxi Construction Investment International Investment Co., Ltd.		
	As at December 31,		As at June 30,
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Current assets	2,014	10,855	11,459
Non-current assets	363	85,748	85,675
Current liabilities	(99)	(283)	(2,840)
Non-current liabilities	–	–	–
Net assets	2,278	96,320	94,294
Revenue	–	3,600	1,100
(Loss)/profit and total comprehensive (loss)/income for the year/period	(722)	41	(2,026)
Dividends received from associates	–	–	–

	Shanxi Jianfa Comprehensive Energy Development Co., Ltd.			
	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	2,121	1,227	78,121	42,744
Non-current assets	–	3,233	123,209	146,456
Current liabilities	(77)	(1,076)	(58,436)	(50,497)
Non-current liabilities	–	–	(104,000)	(95,956)
Net assets	2,044	3,384	38,894	42,747
Revenue	556	–	4,675	16,933
Profit and total comprehensive income for the year/period	44	–	10	3,853
Dividends received from associates	–	–	–	–

The following table illustrates the aggregated financial information of associates that are not individually material:

	For the year ended December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of (loss)/profit	(2,006)	(1,498)	2,913	1,603
Share of total comprehensive (loss)/income	(2,006)	(1,498)	2,913	1,603

22. INVESTMENT IN SUBSIDIARIES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shanxi Shan'an Bluesky Energy Conservation Technology Co., Ltd. (山西山安藍天節能科技股份有限公司)	56,000	56,000	66,000	66,000
Shanxi Shan'an Maode Distributed Energy Technology Company Limited (山西山安茂德分布式能源科技有限公司)	224,000	224,000	224,000	224,000
Shanxi Shan'an Maode Electricity Supply Company Limited (山西山安茂德售電有限公司)	20,000	20,000	20,000	20,000
Shanxi Shan'an Lide Environmental Technology Company Limited (山西山安立德環保科技有限公司)	32,000	32,000	45,000	45,000

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shanxi Shan'an Biquan Haimian City Technology Company Limited (山西山安碧泉海綿城市科技有限公司)	38,694	46,290	51,715	51,715
Shanxi Ningyang Energy Company Limited (山西寧揚能源有限公司)	30,824	30,824	30,824	30,824
Lingchuan Shan'an Construction Development Company Limited (陵川山安建設發展有限公司)	49,241	49,241	49,241	49,241
Gaoping City Shan'an Five Roads One River Construction Development Company Limited (高平市山安五路一河建設發展有限公司)	39,786	39,786	39,786	39,786
Shanghai Shan'an Construction Engineering Company Limited (上海山安建設工程有限公司)	3,000	3,000	3,000	3,000
Shanxi Zhuo'an Materials Trading Company Limited (山西卓安物資貿易有限公司)	3,100	3,100	3,100	3,100
Huguan Shan'an Two Roads Three Streets Construction Development Company Limited (壺關縣山安兩路三街建設發展有限公司)	44,901	54,835	54,835	54,835
Guangdong Shan'an Construction Engineering Company Limited (廣東山安建設工程有限公司)	6,000	6,000	6,000	6,000
Changzhi Shan'an Construction Development Company Limited (長治市山安建設發展有限公司)	36,000	36,000	36,000	36,000
Xinjiang Shan'an Waterwork Management Company Limited (新絳縣山安水利管理有限公司)	30,000	30,000	30,000	30,000
Qinshui Shan'an Culture and Sport Construction Development Company Limited (沁水山安文體建設發展有限公司)	52,000	64,090	64,090	64,090
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited (昔陽山安綜合管廊建設發展有限公司)	90,826	103,594	107,438	107,438
Jiexiu Shan'an Waterwork Construction Development Company Limited (介休山安水利建設發展有限公司)	52,595	58,260	63,930	63,930
Liulin Shan'an Bluesky Heating Company Limited (柳林山安藍天熱力有限公司)	7,250	7,250	7,250	7,250
Australia Shan'an Construction Engineering Pty Limited	2,783	2,783	2,783	2,783
Xiangyuan Shan'an Road and Bridge Construction Development Company Limited (襄垣縣山安路橋建設發展有限公司)	–	23,954	23,954	23,954
Linfen Shan'an Waterwork Development Company Limited (臨汾市山安水務發展有限公司)	–	17,824	17,824	17,824

	As at December 31, 2020	2021	2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Son Tay Viet Nam Construction Company Limited	–	969	969	969
Yu'an Hengchuang *(note 42.3)*	5,610	–	–	–
Shanxi Xu'an Real Estate Development Co., Ltd. ("Shanxi Xu'an") (山西旭安房地產開發有限公司) *(noted 42.2)*	13,200	–	–	–
Sichuan Shan'an Construction Engineering Company Limited (四川山安建設工程有限公司)	–	–	–	–
Hubei Shan'an Construction Engineering Company Limited (湖北山安建設工程有限公司)	–	–	–	–
Yangquan Shan'an Construction Development Company Limited (陽泉山安建設發展有限公司)	–	–	2,000	26,000
Qinshui Shan'an Construction Development Company Limited (沁水山安建設發展有限公司)	–	–	68,345	136,690
Jinzhong Shan'an Lide Solid Waste Utilization Technology Company Limited (晉中山安立德固廢利用科技有限公司)	–	–	14,700	14,700
	837,810	909,800	1,032,784	1,125,129

Details of the Company's principal subsidiaries are set out in Note 1 to the Historical Financial Information.

23. OTHER NON-CURRENT ASSETS

The Group and the Company

	As at December 31, 2020	2021	2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid employees housing subsidies	15,262	11,714	7,571	3,903

24. DEFERRED INCOME TAX

The Group

	As at December 31, 2020	2021	2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	43,018	63,955	100,064	107,760
Deferred tax liabilities	(70,660)	(76,118)	(74,012)	(72,690)
	(27,642)	(12,163)	26,052	35,070

	Provisions and accruals *RMB'000*	Change in fair value of investment properties *RMB'000*	Fair value changes of equity investments at FVOCI *RMB'000*	Deferred tax from PPP projects *RMB'000*	Elimination of unrealized profits *RMB'000*	Remeasurement of defined benefit plan *RMB'000*	Total *RMB'000*
Deferred tax assets/(liabilities) as at January 1, 2020	25,186	(13,622)	(324)	(29,462)	9,306	–	(8,916)
Credited to/(recognized in) profit or loss	9,461	(945)	–	(26,038)	(959)	–	(18,481)
Recognized in other comprehensive income	–	–	(244)	–	–	–	(244)
Disposal of a subsidiary *(note 42)*	(1)	–	–	–	–	–	(1)
Deferred tax assets/(liabilities) as at December 31, 2020	34,646	(14,567)	(568)	(55,500)	8,347	–	(27,642)
Deferred tax assets/(liabilities) as at January 1, 2021	34,646	(14,567)	(568)	(55,500)	8,347	–	(27,642)
Credited to/(recognized in) profit or loss	18,561	(119)	–	(5,776)	2,470	–	15,136
Credited to other comprehensive income	–	–	412	–	–	–	412
Disposal of subsidiaries *(note 42)*	(69)	–	–	–	–	–	(69)
Deferred tax assets/(liabilities) as at December 31, 2021 and January 1, 2022	53,138	(14,686)	(156)	(61,276)	10,817	–	(12,163)
Credited to/(recognized in) profit or loss	21,315	(368)	–	16,997	2,278	–	40,222
(Recognized in)/credited to other comprehensive income	–	–	(2,417)	–	–	410	(2,007)
Deferred tax assets/(liabilities) as at December 31, 2022 and January 1, 2023	74,453	(15,054)	(2,573)	(44,279)	13,095	410	26,052
Credited to/(recognized in) profit or loss	11,587	(17)	–	3,942	(6,288)	–	9,224
Recognized in other comprehensive income	–	–	(149)	–	–	(57)	(206)
Deferred tax assets/(liabilities) as at June 30, 2023	86,040	(15,071)	(2,722)	(40,337)	6,807	353	35,070

The Company

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	31,522	46,043	57,774	64,380
Deferred tax liabilities	(15,160)	(14,842)	(17,627)	(17,792)
	16,362	31,201	40,147	46,588

	Provisions and accruals	Change in fair value of investment properties	Fair value changes of equity investments at FVOCI	Remeasurement of defined benefit plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets/(liabilities) as at January 1, 2020	22,646	(13,622)	(324)	–	8,700
Credited to/(recognized in) profit or loss	8,850	(944)	–	–	7,906
Recognized in other comprehensive income	–	–	(244)	–	(244)
Deferred tax assets/(liabilities) as at December 31, 2020 and January 1, 2021	31,496	(14,566)	(568)	–	16,362
Credited to/(recognized in) profit or loss	14,547	(120)	–	–	14,427
Credited to other comprehensive income	–	–	412	–	412
Deferred tax assets/(liabilities) as at December 31, 2021 and January 1, 2022	46,043	(14,686)	(156)	–	31,201
Credited to/(recognized in) profit or loss	11,321	(367)	–	–	10,954
(Recognized in)/credited to other comprehensive income	–	–	(2,418)	410	(2,008)
Deferred tax assets/(liabilities) as at December 31, 2022 and January 1, 2023	57,364	(15,053)	(2,574)	410	40,147
Credited to/(recognized in) profit or loss	6,663	(17)	–	–	6,646
Recognized in other comprehensive income	–	–	(148)	(57)	(205)
Deferred tax assets/(liabilities) as at June 30, 2023	64,027	(15,070)	(2,722)	353	46,588

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain subsidiaries of the Group had tax losses of RMB316,000, RMB738,000, RMB10,030,000 and RMB43,309,000 in Mainland China, respectively, which will expire in 1-5 years and can be used to offset its future taxable profits. Certain amounts of unused tax losses for the six months ended June 30, 2023 are subject to approval from the tax bureau in Mainland China. Deferred tax assets are not recognized for these losses as no taxable profits are considered as available against relevant tax losses. Deferred tax assets are recognized to the extent that all deferred tax assets can be realized through the recovery of previously paid tax and/or future taxable income.

Based on the assessment of the likelihood that the deferred tax assets will be realized or that taxable profits will be utilized during the year/period, the directors of the Company have reviewed its deferred tax assets at the end of each of the Track Record Period and are of the opinion that the Group's deferred tax assets can be realized through future taxable income.

25. FINANCIAL ASSETS MEASURED AT FVOCI

The Group and the Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investments:				
Shanxi Jiantong Material Trading Company Limited (山西建投物資貿易有限公司) (formerly known as "Shanxi Jiantong Technology Company Limited (山西建通科技有限公司)")	9,835	–	–	–
Shanxi Shuitou Biyuan Water Treatment Company Limited (山西水投碧源水處理有限公司)	692	883	935	1,071
Shanxi Jiantou Decoration Industry Co., Ltd. (山西建投裝飾產業有限公司)	6,895	6,059	6,473	9,557
Shanxi Jiantou South East Jin Construction Industry Co., Ltd. (山西建投晉東南建築產業有限公司)	69,161	69,290	81,552	81,676
Shanxi Jiantou Construction Industry Co., Ltd. Company Limited (山西建投建築產業有限公司) (formerly known as "Jinzhong Hongsheng Shenlong Kejian Technology Co., Ltd. Company Limited (晉中宏聖神龍可建科技有限公司)")	48,858	46,460	49,853	47,499
	135,441	122,692	138,813	139,803

The above unlisted equity investments are designated as financial assets at FVOCI (non-recycling) as these investments are held for long-term strategic purposes. Please refer to Note 51 for the details of changes in fair value.

26. SERVICE CONCESSION PROJECTS

The Group has entered into a number of service concession project agreements with certain government authorities in Mainland China for its construction of infrastructure, photovoltaic, water treatment and drainage, and heat supply services. These service concession project agreements generally involve the Group as an operator to construct infrastructure, photovoltaic, water treatment and drainage, heat supply and other facilities for these agreements on a construction, operation and transfer basis (also known as public-private partnership, "PPP projects"). The Group will receive remuneration for services within the agreed period of the PPP projects at the price stipulated through the pricing mechanism. The Group is generally entitled to use all property, plant and equipment, however, as grantors, the relevant government authorities will control and monitor the scope of services that the Group must provide and retain the beneficial rights to the remaining interest in the facilities at the end of the PPP projects period.

These service concession project agreements are subject to the contracts and supplemental agreements (where applicable) entered into between the Group and the relevant government authorities in Mainland China, including the pricing adjustment mechanism for the services rendered by the Group, performance standards, and specific obligations to restore the facility to a prescribed level of availability at the end of the service concession period, and arrangements for arbitrating disputes.

No.	Name of Operating Company	Address	Grantor	Type of service concession arrangement	Concession Term (included construction and operating concession period)
1	Gaoping City Shan'an Five Roads One River Construction Development Company Limited (高平市山安五路一河建設發展有限公司)	Gaoping City, Shanxi Province, China	Gaoping Housing and Urban-rural Development Administration (高平市住房和城鄉建設管理局)	Community facilities	16 years
2	Lingchuan Shan'an Construction Development Company Limited (陵川山安建設發展有限公司)	Lingchuan County, Shanxi Province, China	Housing and Urban-rural Development Administration of Lingchuan County (陵川縣住房和城鄉建設管理局)	Community facilities	16 years
3	Huguan Shan'an Two Roads Three Streets Construction Development Company Limited (壺關縣山安兩路三街建設發展有限公司)	Huguan County, Shanxi Province, China	Housing and Urban-rural Development Administration of Huguan County (壺關縣住房和城鄉建設管理局)	Community facilities	17 years
4	Changzhi Shan'an Construction Development Company Limited (長治市山安建設發展有限公司)	Changzhi City, Shanxi Province, China	People's Government of Huangnian Town, Suburb of Changzhi City (長治市郊區黃碾鎮人民政府)	Photovoltaic	12 years
5	Xinjiang Shan'an Waterwork Management Company Limited (新絳縣山安水利管理有限公司)	Xinjiang County, Shanxi Province, China	Housing and Urban-rural Development Administration of Xinjiang County (新絳縣住房和城鄉建設管理局)	Water treatment	20 years

No.	Name of Operating Company	Address	Grantor	Type of service concession arrangement	Concession Term (included construction and operating concession period)
6	Jiexiu Shan'an Waterwork Construction Development Company Limited (介休山安水利建設發展有限公司)	Jiexiu City, Shanxi Province, China	Jiexiu Waterwork Bureau (介休市水務局)	Water treatment	20 years
7	Qinshui Shan'an Culture and Sport Construction Development Company Limited (沁水山安文體建設發展有限公司)	Qinshui County, Shanxi Province, China	Housing and Urban-rural Development Administration of Qinshui County (沁水縣住房和城鄉建設管理局)	Community facilities	20 years
8	Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited (昔陽山安綜合管廊建設發展有限公司)	Xiyang County, Shanxi Province, China	Xiyang County Economic and Commercial Grain Bureau (昔陽縣經濟和商務糧食局)	Underground pipe project	20 years
9	Liulin Shan'an Bluesky Heating Company Limited (柳林山安藍天熱力有限公司)	Liulin County, Shanxi Province, China	Liulin County Housing and Urban-Rural Development Administration (柳林縣住房和城鄉建設管理局)	Heating engineering	30 years
10	Xiangyuan Shan'an Road and Bridge Construction Development Company Limited (襄垣縣山安路橋建設發展有限公司)	Xiangyuan County, Shanxi Province, China	Xiangyuan County Transportation Bureau (襄垣縣交通運輸局)	Bridge construction	12 years
11	Linfen Shan'an Waterwork Development Company Limited (臨汾市山安水務發展有限公司)	Linfen, Shanxi Province, China	Linfen Municipal Government Engineering Construction Service Center (臨汾市政府工程建設服務中心)	Sewage treatment	21 years

No.	Name of Operating Company	Address	Grantor	Type of service concession arrangement	Concession Term (included construction and operating concession period)
12	Yangquan Shan'an Construction Development Company Limited (陽泉山安建設發展有限公司)	Yangquan County, Shanxi Province, China	Yangquan Suburban District Bureau of Commerce (陽泉市郊區商務局)	Facilities in industrial area	30 years
13	Qinshui Shan'an Construction Development Company Limited (沁水山安建設發展有限公司)	Changzhi County, Shanxi Province, China	Housing and Urban-rural Development Administration of Qinshui County (沁水縣住房和城鄉建設管理局)	Community facilities and transportation hub	22 years

The above table sets out the Group's PPP projects which, in the opinion of the Board, primarily affected the results for the Track Record Period or constituted a significant portion of the Group's net assets. The Board is of the view that the provision of details of all other PPP projects would result in excessive length of the detailed information.

Pursuant to the service concession project agreements entered into by the Group, the Group was granted the right to use the property, plant and equipment of the facilities and the relevant land during the service concession period, which are generally registered in the names of the relevant companies of the Group, but generally, the Group is required to transfer these property, plant and equipment to the grantor at the end of the respective service concession period at the prescribed level of availability. As of 31 December 2020, 2021 and 2022 and June 30, 2023, the Group was in the process of applying for registration of change in title certificates relating to certain land use rights of certain facilities associated with the Group's service concession project agreements.

As further explained in the accounting policy for "accounting treatment for PPP projects" as described in note 3.2 to the Historical Financial Information, the consideration paid by the Group for PPP projects is recorded as financial assets (trade receivables under PPP projects, contract assets and receivable under service concession arrangements on PPP projects). The following is a summary of the components of the financial assets relating to the Group's PPP projects (trade receivables under the PPP projects):

The Group estimates that the trade receivables under the PPP projects is calculated based on the present value of the estimated annual minimum service fee for the service concession period, multiplied by the effective interest rate ranging from 5.95% to 10.88% (which was determined with reference to the market interest rate and the grantor's credit risk).

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables of PPP projects construction income	39,259	32,347	33,971	16,970
Trade receivables of PPP projects operating fee income	68,882	72,355	54,614	35,134
Interest receivables of PPP projects	35,988	35,738	6,158	13,066
Trade receivables under PPP projects *(Note 29)*	144,129	140,440	94,743	65,170

Note: For the Group's trade receivables under the service concession agreement, each group company has different credit policy, depending on the requirements of the place where it operates. The aging analysis of trade receivables under the service concession agreements is closely monitored to minimize any credit risk arising from trade receivables.

As of the end of each of the Track Record Period, the non-current portion of contract assets and receivables under service concession arrangements, net of ECL provision impairment, is as follows:

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled portion:				
Non-current portion	2,461,269	2,922,004	3,007,302	3,163,979
Expected credit losses	(10,417)	(20,784)	(35,216)	(37,451)
Non-current portion, net *(Note 20)*	2,450,852	2,901,220	2,972,086	3,126,528

27. INVENTORIES

The Group

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	117,099	116,028	137,128	406,848
Finished goods	37,872	25,594	9,112	10,476
Total	154,971	141,622	146,240	417,324

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	113,974	109,026	118,555	398,138
Finished goods	2,532	21,247	4,262	4,912
Total	116,506	130,273	122,817	403,050

28. PROPERTIES UNDER DEVELOPMENT

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	51,522	91,703	–	–
Increase during the year/period	40,181	106,332	–	–
Transfer to inventories	–	(5,440)	–	–
Disposal of subsidiaries *(Note 42.2)*	–	(192,595)	–	–
	91,703	–	–	–

As of December 31, 2020, the Group's properties under development were not utilized as collateral for the Group's bank loans.

29. TRADE RECEIVABLES AND BILLS RECEIVABLE

Trade receivables and bills receivable mainly represent receivables from engineering contracting services, sales of goods and rendering of services. The payment terms are stipulated in the relevant contracts. The Group's trading terms with customers are mainly credit transactions, except for new customers, which usually require payment in advance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements on its trade receivables balance. Trade receivables and bills receivable are non-interest bearing.

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	4,200,013	5,494,045	6,377,191	6,250,184
Expected credit losses	(179,061)	(254,612)	(302,072)	(340,405)
Trade receivables, net	4,020,952	5,239,433	6,075,119	5,909,779
Bills receivable	325,293	312,036	299,367	280,930
Expected credit losses	(1,215)	(1,895)	(3,120)	(2,298)
Bills receivable, net	324,078	310,141	296,247	278,632
	4,345,030	5,549,574	6,371,366	6,188,411

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the net carrying amount of certain trade receivables and bills receivable of approximately RMB460,998,000, RMB702,624,000, RMB828,866,000 and RMB813,665,000 were pledged to secure certain bank borrowings granted to the Group.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the trade receivables under PPP projects was amounted to approximately RMB144,129,000, RMB140,440,000, RMB94,743,000 and RMB65,170,000 respectively. Please refer to Note 26 for the details of the receivables under the PPP projects.

The aging analysis of the trade receivables and bills receivable (based on invoice date or issuance date), net of provision of ECL, are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,174,186	3,991,906	4,676,720	3,587,277
1-2 years	682,967	938,598	1,032,153	1,622,206
2-3 years	341,061	357,775	396,423	468,520
3-4 years	87,720	214,366	209,197	390,609
4-5 years	59,096	46,929	56,873	119,799
	4,345,030	5,549,574	6,371,366	6,188,411

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	4,202,428	5,180,811	5,823,651	5,817,969
Expected credit losses	(178,282)	(251,191)	(290,079)	(329,072)
Trade receivables, net	4,024,146	4,929,620	5,533,572	5,488,897
Bills receivable	280,765	288,662	242,679	276,471
Expected credit losses	(1,212)	(1,895)	(2,569)	(2,247)
Bills receivable, net	279,553	286,767	240,110	274,224
	4,303,699	5,216,387	5,773,682	5,763,121

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the net carrying amount of certain trade receivables and bills receivable of approximately RMB455,998,000, RMB698,424,000, RMB546,866,000 and RMB531,665,000 were pledged to secure certain bank borrowings granted to the Company.

The aging analysis of the trade receivables and bills receivable (based on invoice date or issuance date) net of provision of ECL, are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,133,359	3,681,709	4,088,123	3,300,141
1-2 years	682,547	915,831	1,021,826	1,483,190
2-3 years	340,977	357,552	397,663	468,626
3-4 years	87,720	214,366	209,197	391,365
4-5 years	59,096	46,929	56,873	119,799
	4,303,699	5,216,387	5,773,682	5,763,121

Movements in ECL on trade receivables and bills receivable are as follows:

The Group

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	121,453	180,276	256,507	305,192
Provision for expected credit losses	58,860	76,345	48,798	37,511
Reversal of expected credit losses	(34)	(114)	(113)	–
Written off	(3)	–	–	–
At the end of the year/period	180,276	256,507	305,192	342,703

The Company

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	120,979	179,494	253,086	292,648
Provision for expected credit losses	58,515	73,592	39,562	38,671
At the end of the year/period	179,494	253,086	292,648	331,319

Separately impaired trade receivables relate to customers that are in default or in financial difficulties and no trade receivables are expected to be recovered.

Entire financial assets transferred that are not derecognized

The Group and the Company endorsed certain bills receivable from banks in Mainland China with carrying amounts of RMB238,476,000, RMB198,833,000, RMB244,127,000 and RMB174,737,000 on December 31, 2020, 2021 and 2022 and June 30, 2023, respectively, in order to settle trade payables to certain suppliers ("endorsements"). In the opinion of the directors, the Group retains significant risks and rewards, including the risk of default in relation to these endorsed bills, and accordingly, the Group continues to recognize the full carrying amount of such endorsed bills and the related trade payables settled.

The Group and the Company endorsed certain commercial acceptance bills. Subsequent to the endorsement, the Group and the Company do not retain any right to use the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. During the period when the supplier has recourse, the carrying amount of trade payables settled by the endorsed bills was RMB20,056,000, RMB16,535,000, RMB10,568,000 and RMB700,000 as at December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

Transfer of all derecognized financial assets

The Group and the Company endorsed certain bills receivable from banks in Mainland China (the "Derecognized Bills") with an aggregate carrying amount of RMB414,783,000, RMB212,953,000, RMB315,854,000 and RMB245,409,000 to certain of its suppliers to settle the trade payables due to these suppliers. The Derecognized Bills have a maturity of one to six months at the end of the Track Record Period. Under the PRC Bills Law, the holder of the Derecognized Bills has a right to recourse from the Group in the event of a default by the PRC banks. In the opinion of the directors, the Group has transferred substantially all the risks and rewards associated with the Derecognized Bills, which are issued by large and reputable banks. As a result, it has derecognized the entire carrying amount of the Derecognized Bills and the related trade payables. The maximum risk of loss of the undiscounted cash flows of the Group's continuing involvement in the Derecognized Bills and the repurchase of these Derecognized Bills equals their carrying amounts. In the opinion of the directors, the fair value of the Group's continuing involvement in the Derecognized Bills is not material.

During the Track Record Period, the Group did not recognize any gains or losses at the date of transfer of the recognized bills and unrecognized gains or losses from continuing participation during the year/period or cumulatively.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables				
– Reserves	3,040	14,349	6,443	13,301
– Security deposits	223,767	147,918	159,073	139,901
– Deposits	17,062	19,390	27,555	28,301
– Loans to associates*	–	–	54,684	15,741
– Loans to former associates*	199,839	85,633	50,439	45,439
– Amount due from related parties	686,789	469,736	566,129	444,338
– Other receivables	297,045	221,953	198,327	188,799
	1,427,542	958,979	1,062,650	875,820
Expected credit losses	(21,927)	(26,202)	(37,496)	(44,124)
Deposits and other receivables, net	1,405,615	932,777	1,025,154	831,696
Other contract costs	16,938	18,867	20,084	11,111
Prepayments	462,004	701,224	500,176	516,900
Prepayments to associates	–	–	22,300	16,688
Prepayments to related parties	1,365	86,668	31,096	17,351
Tax recoverable	38	45	38	21
Value-added tax receivables	165,084	243,992	357,589	520,967
	2,051,044	1,983,573	1,956,437	1,914,734

The Company

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables				
– Reserves	2,895	14,291	6,160	12,968
– Security deposits	213,201	136,381	149,456	126,119
– Deposits	16,788	18,874	27,419	26,743
– Loans to associates	–	–	54,512	15,741
– Loans to former associates	199,839	85,633	50,439	45,439
– Amount due from related parties	686,135	452,642	566,129	443,821
– Loans to subsidiaries	743,902	639,926	503,918	489,799
– Other receivables	223,530	179,310	141,444	130,601
	2,086,290	1,527,057	1,499,477	1,291,231
Expected credit losses	(20,442)	(22,068)	(21,838)	(24,700)
Deposits and other receivables, net	2,065,848	1,504,989	1,477,639	1,266,531
Prepayments	444,041	557,066	504,218	323,977
Prepayment to associates	–	–	22,105	16,688
Prepayments to related parties	565	85,626	8,332	38,301
Tax recoverable	38	45	–	–
Value-added tax receivables	2,780	68,840	138,273	290,335
	2,513,272	2,216,566	2,150,567	1,935,832

As at December 31, 2020, 2021 and 2022, among the prepayments, deposits and other receivables, the interest rates for certain loans to subsidiaries, loans to associates, former associates and amount due from related parties are 10%-16% per annum, while other prepayments, deposits and other receivables is unsecured and interest free. All prepayments, deposits and other receivables have no fixed repayment terms. As at June 30, 2023, among the prepayment, deposits and other receivables, the interest rates for certain loans to subsidiaries, loans to former associates and amount due from related parties are unsecured, interest rates ranging from 8%-12% per annum, while other prepayment, deposits and other receivablesis are interest free, unsecured and with no fixed repayment terms or repayable within one year.

* The purpose of loans to its associates and former associates was mainly for financing some construction projects, which the Group also invested in through shareholders loan to the relevant project companies which the Company has equity interests in.

For the provision for ECL allowance on loans to associates and former associates, the Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the associates and former associates.

The management would make periodic individual assessment on the recoverability of associates and former associates based on historical settlement records and past experience as well as current external information and makes adjustment based on the weighted probability of forward-looking information including operation default rate of associates and former associates.

In particular, regarding to assess the credit risk, the management has considered the financial statements of the former associates during the Track Record Period, which has shown that they have strong financial position as at December 31, 2020, 2021 and 2022 and June 30, 2023. In addition, the former associates are the indirect wholly-owned subsidiaries of Shanxi CIG as at December 31, 2020, 2021 and 2022 and June 30, 2023, of which Shanxi CIG has undertaken the balances of loans to former associates as at December 31, 2020, 2021 and 2022 and June 30, 2023 to compensate to the Group in full for any failure of repayment. In view of the strong financial position of Shanxi SIG, no provision for ECL allowance is required on loans to former associates as at December 31, 2020, 2021 and 2022 and June 30, 2023.

Regarding to the loans to associates as at December 31, 2022 and June 30, 2023, the management also has assessed the credit risk on associates by considering the financial statements of the associates, which has shown they have strong financial position as at December 31, 2022 and June 30, 2023. In addition, the balances of loans to associates of RMB47,001,000 and RMB15,741,000 are provided to the associates, which are wholly-owned subsidiary of Shanxi CIG as at December 31, 2022 and June 30, 2023, respectively, of which Shanxi CIG has undertaken the balances of loans to associates as at December 31, 2022 and June 30, 2023 to compensate to us in full for any failure of repayment. In view of the strong financial position of Shanxi SIG, no provision for ECL allowance on the balances of loans to associates of RMB47,001,000 and RMB15,741,000 is required as at December 31, 2022 and June 30, 2023, respectively. Meanwhile, as at December 31, 2022, the remaining balance of loan to an associate of RMB7,683,000 aged within 1 year and the associate is a state-owned enterprise, which is considered to have the relative high credit rating. As such, the credit risk for the associate is considered to be minimal and no provision for ECL allowance is required on loans to associates as at December 31, 2022. During the six months ended June 30, 2023, the remaining balance of loan to the associate of RMB7,683,000 has been fully settled.

Other contract costs capitalized as at December 31, 2020, 2021 and 2022 and June 30, 2023 relate to the costs to fulfil contracts with customers at the reporting date. Other contract costs are recognized as part of "cost of sales" in the consolidated statement of profit or loss in the Track Record Period in which revenue from the related sales or services is recognized. There was no impairment in relation to the costs capitalized during the years/period. All other contract costs are expected to be recovered or recognized as expenses within one year.

The movement on the provision for expected credit losses of deposits and other receivables is as follows:

The Group

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2020	5,009	15,057	2,860	22,926
Transferred to Stage 2	(1,660)	1,660	–	–
Provision/(reversal) during the year	1,367	(2,366)	–	(999)
As at December 31, 2020 and January 1, 2021	4,716	14,351	2,860	21,927
Transferred to Stage 2	(227)	227	–	–
Provision during the year	1,139	3,192	–	4,331
Written-off	–	(56)	–	(56)
As at December 31, 2021 and January 1, 2022	5,628	17,714	2,860	26,202
Transferred to Stage 2	(3,228)	3,228	–	–
Transferred to Stage 3	–	(15,217)	15,217	–
Provision during the year	494	10,800	–	11,294
As at December 31, 2022 and January 1, 2023	2,894	16,525	18,077	37,496
Transferred to Stage 2	(1,100)	1,100	–	–
Transferred to Stage 3	–	(316)	316	–
Provision during the period	894	5,734	–	6,628
As at June 30, 2023	2,688	23,043	18,393	44,124

As at December 31, 2020, 2021 and 2022 and June 30, 2023, among the impairment provision for other receivables above, the impairment provision made for other receivables individually was approximately RMB2,860,000, RMB2,860,000, RMB30,461,000 and RMB32,374,000, and the total book values before provision were approximately RMB2,860,000, RMB2,860,000, RMB54,077,000 and RMB54,393,000.

The Company

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2020	4,800	13,854	2,860	21,514
Transferred to Stage 2	(1,659)	1,659	–	–
Provision/(reversal) during the year	1,267	(2,339)	–	(1,072)
As at December 31, 2020 and January 1, 2020	4,408	13,174	2,860	20,442
Transferred to Stage 2	(227)	227	–	–
Provision during the year	1,134	528	–	1,662
Written-off	–	(36)	–	(36)

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2021 and January 1, 2022	5,315	13,893	2,860	22,068
Transferred to Stage 2	(3,197)	3,197	–	–
Transferred to Stage 3	–	(15,217)	15,217	–
Provision/(reversal) during the year	635	(865)	–	(230)
As at December 31, 2022 and January 1, 2023	2,753	1,008	18,077	21,838
Transferred to Stage 2	(1,096)	1,096	–	–
Transferred to Stage 3	–	(316)	316	–
(Reversal)/provision during the period	(531)	3,393	–	2,862
As at June 30, 2023	1,126	5,181	18,393	24,700

31. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank deposits	814,814	1,040,579	1,380,892	1,697,117
Restricted bank deposits	269,646	328,983	748,105	597,762
	1,084,460	1,369,562	2,128,997	2,294,879
Less: Restricted bank deposits as collateral for bill payable	(230,000)	(281,670)	(747,505)	(597,162)
Restricted bank deposits as collateral for other borrowings	(39,646)	(47,313)	(600)	(600)
Cash and cash equivalents	814,814	1,040,579	1,380,892	1,697,117

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank deposits	540,969	651,520	776,081	1,135,919
Restricted bank deposits	269,646	328,983	747,505	597,162
	810,615	980,503	1,523,586	1,733,081
Less: Restricted bank deposits as collateral for bill payable	(230,000)	(281,670)	(747,505)	(597,162)
Restricted bank deposits as collateral for other borrowings	(39,646)	(47,313)	–	–
Cash and cash equivalents	540,969	651,520	776,081	1,135,919

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the Group's cash and bank balances denominated in RMB amounted to approximately RMB1,084,460,000, RMB1,369,562,000, RMB2,128,997,000 and RMB2,294,879,000, respectively. The RMB is not freely convertible into other currencies. However, under the current foreign exchange rules and regulations in Mainland China, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Bank deposits and restricted bank deposits earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are deposited for periods ranging from one day to three months based on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the restricted bank deposits (denominated in RMB) were charged at an interest rate of 1.95%, 1.95%, 1.70% and 1.70%, respectively, based on prevailing market interest rates and were pledged to a bank for securing bills payable (Note 32) and other borrowings (Note 35) granted to the Group. Bank deposits and restricted bank deposits are deposited with creditworthy banks with no recent history of default.

32. TRADE PAYABLES AND BILLS PAYABLE

The ageing analysis of the trade payables and bills payable recorded based on invoice date or issuance date is as follows:

The Group

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	4,084,771	6,486,571	6,483,009	5,858,573
1 to 2 years	484,286	660,791	1,863,195	2,523,132
2 to 3 years	163,622	231,062	637,570	920,611
Over 3 years	111,823	216,079	186,844	238,732
	4,844,502	7,594,503	9,170,618	9,541,048

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,839,332	5,668,411	6,925,661	6,094,483
1 to 2 years	603,122	519,935	1,806,593	2,902,489
2 to 3 years	188,423	223,426	519,500	1,144,884
Over 3 years	119,488	211,695	165,339	234,631
	4,750,365	6,623,467	9,417,093	10,376,487

33. EMPLOYEE BENEFITS PAYABLE

The Group

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, bonuses, allowances and subsidies	34,079	45,834	61,420	59,743
Employee benefits expenses	1,531	631	1,272	1,450
Social insurance expenses	3,224	2,241	2,618	1,938
Housing provident fund	866	4,306	4,098	6,018
Termination benefits	76	76	410	320
Post-employment benefits due within one year-liabilities in defined benefit plan	–	–	3,550	3,120
Others	10,844	6,953	7,728	8,036
	50,620	60,041	81,096	80,625

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, bonuses, allowances and subsidies	35,331	41,830	58,383	56,390
Employee benefits expenses	1,531	631	1,237	1,416
Social insurance expenses	2,960	2,241	2,497	1,783
Housing provident fund	791	4,306	4,080	6,018
Termination benefits	76	76	410	320
Post-employment benefits due within one year-liabilities in defined benefit plan	–	–	3,550	3,120
Others	7,564	6,636	7,221	7,355
	48,253	55,720	77,378	76,402

The Group and the Company

Present value of the defined benefit plan obligation:

	As at December 31, 2022	As at June 30, 2023
	RMB'000	*RMB'000*
Item *(note)*		
I. Transfer from Shanxi CIG/At the beginning of the period	30,650	32,460
II. Defined benefit cost recognized in profit or loss:		
Net interests	145	460
III. Defined benefit cost recognized in other comprehensive income:		
Actuarial losses	2,732	(380)
IV. Other changes:		
Paid benefits	(1,067)	(1,910)
V. Closing balance:	32,460	30,630
Less: Post-employment benefits due within one year-liabilities in defined benefit plan	(3,550)	(3,120)
VI. Post-employment benefits due after one year liabilities in defined benefit plan	28,910	27,510
Termination benefits	2,290	1,900
Less: Current portion	(410)	(320)
Non-current liability in termination benefits	1,880	1,580
Total	30,790	29,090

Note: In addition to the basic pension insurance provided by the local government departments, the Group also provides supplementary pension insurance plans and other comprehensive retirement benefit plans for employees retired since the obligation has transferred from Shanxi CIG during the year ended December 31, 2022. This benefit plan is accounted for as a long-term defined benefits obligation and does not have any plan assets. These plans include monthly living subsidies for employees after their retirement. The Group no longer provides (pays) any supplementary retirement benefits (including supplementary benefits such as retirement salaries, subsidies, medical care) for employees retired since May 1, 2022.

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan obligations using the actuarial method based on the expected cumulative welfare unit method. Towers Watson (Shenzhen) Consulting Co., Ltd. is an actuarial institution with professional certification qualifications and a member of the American Academy of Actuaries. The plan estimates future cash outflows based on inflation rate and mortality rate assumptions and determines its present value at a discount rate. The discount rate is determined based on the market yield of the national debt that matches the term and currency of the obligations of defined benefit plan on the balance sheet date.

The defined benefit plan exposes the Group to actuarial risks, including interest rate risk, longevity risk and inflation risk. A decrease in the rate of return of national debt will result in an increase in the present value of the defined benefit plan obligations. The present value of the defined benefit plan obligations is calculated based on the optimal estimate of the mortality rate of the participating employees, and an increase in the life expectancy of the plan members will result in an increase in the liabilities in the plan. In addition, the present value of the defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined based on the inflation rate. Therefore, the increase in the inflation rate will also result in an increase in the liabilities in the plan.

As at December 31, 2022 and June 30, 2023, the average period of defined benefit plan obligations is 5-9 years. Significant actuarial assumption of discount rate used in determining present value of defined benefit plan obligations are as follows:

Item	As at December 31, 2022 (%)	As at June 30, 2023 (%)
Discount rate	2.75-3.00	2.50-2.75

The following sensitivity analysis is based on the reasonably possible changes in the discount rate as at December 31, 2022 and June 30, 2023 (all other assumptions remain unchanged):

Item	(Decrease)/Increase in liabilities recognized in defined benefit plan *RMB'000*
As at December 31, 2022	
Discount rate increase by 0.25%	(660)
Discount rate decrease by 0.25%	680
As at June 30, 2023	
Discount rate increase by 0.25%	(650)
Discount rate decrease by 0.25%	670

The above sensitivity analysis is an inference based on the impact of the key assumption on the net defined benefit plan when there is a reasonable change on the balance sheet date. Because some of the assumptions may be relevant and one assumption cannot be changed in isolation, the above sensitivity analysis may not necessarily reflect the actual changes in the present value of the defined benefit plan obligations.

34. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenses	117,547	96,135	84,355	80,369
Security deposits received	58,564	43,180	32,026	32,956
Amount due to related parties *(notes i, ii and iii)*	563,360	360,000	605,877	615,108
Other payables	540,121	410,649	294,964	242,850
Withholding tax and social insurance for employee	10,437	39,843	4,400	7,909
Dividend payable	69,770	–	–	71,678
Other tax payable	653,295	882,063	889,536	975,866
Endorsed bills payable	299,483	239,049	254,695	175,437
	2,312,577	2,070,919	2,165,853	2,202,173
Less: Long-term payable *(notes i and iii)*				
– current portion *(Note 37)*	–	–	–	(300,000)
– non-current portion	(300,000)	(300,000)	(300,000)	–
	2,012,577	1,770,919	1,865,853	1,902,173

Notes:

(i) As at December 31, 2020, 2021 and 2022 and June 30, 2023, the Group borrowed RMB300,000,000 from Shanxi Xiaohe Construction Industry Co., Ltd., a related party, who is controlled by Shanxi CIG, at an interest rate of 9.7% per annum for a period from May 30, 2019 to April 11, 2024, without collateral, for the development and construction of the park.

(ii) As at December 31, 2021, the Group also borrowed RMB60,000,000 from Shanxi CIG at an interest rate of 6.63% per annum for a period from November 12, 2021 to April 11, 2022, without collateral, for the construction of Ziguang Chenji (Baoji) Pharmaceutical Production Base (紫光辰濟(寶雞)醫藥生產基地). It has fully repaid in 2022.

(iii) The borrowings from Shanxi CIG and the related parties, who are controlled by Shanxi CIG, are expected to be released and fully repaid before listing.

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenses	116,261	94,492	82,515	77,938
Security deposits received	58,486	43,170	31,998	31,171
Amount due to related parties	563,360	360,000	605,409	613,262
Other payables	374,809	327,194	227,597	172,387
Withholding tax and social insurance for employee	10,170	39,650	4,207	7,748
Dividend payable	69,770	–	–	71,678
Other tax payable	617,367	843,803	832,824	909,589
Amount due to subsidiaries	503,124	742,731	175,539	76,100
Endorsed bills payables	260,305	216,711	209,229	175,437
	2,573,652	2,667,751	2,169,318	2,135,310
Less: Long term payable				
– current portion *(Note 37)*	–	–	–	(300,000)
– non-current portion	(300,000)	(300,000)	(300,000)	–
	2,273,652	2,367,751	1,869,318	1,835,310

35. INTEREST-BEARING BANK BORROWINGS AND OTHER BORROWINGS

The Group

	As at December 31,									As at June 30,		
	2020			2021			2022			2023		
	Actual interest rate	Maturity		Actual interest rate	Maturity		Actual interest rate	Maturity		Actual interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current liabilities												
Bank borrowings – unguaranteed	3.85-4.50	2021	55,868	4.46-5.35	2022	455,364	1.45-5.35	2023	1,740,290	1.45-4.70	2024	2,884,642
Bank borrowings – guaranteed	4.35-5.35	2021	560,737	4.30-5.22	2022	411,558	4.35-5.22	2023	130,000			–
Bank borrowings – secured	6.15	2021	5,000	4.90-6.15	2022	110,000			–			–
Other borrowings – unguaranteed	4.50-8.80	2021	207,984	4.50-8.80	2022	523,660	4.50-8.80	2023	305,117	8.60-8.80	2024	40,000
Other borrowings – secured	5.22-5.87	2021	125,215	5.87	2022	50,000	5.22-8.70	2023	25,918	6.30-8.70	2024	59,380
			954,804			1,550,582			2,201,325			2,984,022
Current portion of long-term borrowings *(Note 37)*												
Bank borrowings – unguaranteed	6.65-9.00	2021	15,210			–			–			–
Bank borrowings – guaranteed	3.85-6.65	2021	44,780	3.85-6.18	2022	64,781	3.85-6.15	2023	28,782	3.65-6.15	2024	39,763
Bank borrowings – secured	4.75-6.00	2021	83,812	4.75-6.00	2022	109,815	4.05-5.88	2023	155,379	4.05-5.88	2024	166,408
Other borrowings – secured	7.32-11.06	2021	171,387	6.90-10.79	2022	253,506	6.90-10.79	2023	326,239	5.30-10.79	2024	316,034
			315,189			428,102			510,400			522,205
Non-current liabilities												
Bank borrowings – unguaranteed			–			–	4.65-4.70	2025	200,000	4.65	2025	200,000
Bank borrowings – guaranteed	3.85-6.65	2023	77,280	3.85-4.05	2028	124,809	3.85-6.15	2028	161,541	3.65-6.15	2028	165,509
Bank borrowings – secured	4.75-6.00	2044	1,689,000	4.75-6.00	2044	2,033,537	4.05-5.88	2044	2,048,694	4.05-5.53	2044	2,198,830
Other borrowings – secured	7.32-11.06	2023	66,277	7.32-10.79	2024	127,146	6.90-10.79	2026	276,956	5.30-10.79	2026	128,425
			1,832,557			2,285,492			2,687,191			2,692,764
			3,102,550			4,264,176			5,398,916			6,198,991

During the Track Record Period, the Group did not violate any financial covenants under the agreements of bank borrowings and other borrowings.

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed as:				
Bank borrowings:				
Within one year	765,407	1,151,518	2,054,451	3,090,813
Second year	37,400	64,675	201,048	230,122
Third to fifth year	158,830	145,325	800,242	937,181
After the fifth year	1,570,050	1,948,346	1,408,945	1,397,036
	2,531,687	3,309,864	4,464,686	5,655,152
Other borrowings:				
Within one year	504,586	827,166	657,274	415,414
Second year	53,164	87,351	167,045	82,012
Third to fifth year	13,113	39,795	109,911	46,413
	570,863	954,312	934,230	543,839
	3,102,550	4,264,176	5,398,916	6,198,991

As at December 31, 2020, 2021 and 2022 and June 30, 2023, interest-bearing bank borrowings of the Group amounted to RMB560,000,000, RMB411,000,000, RMB130,000,000 and nil respectively, which were guaranteed by the Shanxi CIG.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the interest-bearing other borrowings which were amounted to RMB247,972,000, RMB561,645,000, RMB500,508,000 and RMB184,905,000, respectively, which were provided by the related parties, who are controlled by the Shanxi CIG. As at December 31, 2022 and June 30, 2023, the interest-bearing other borrowings was amounted to RMB100,000,000 and RMB95,002,000, which was provided by the related party, who is controlled by SSCO. The interest-bearing other borrowings from related parties, who are controlled by Shanxi CIG, are expected to be repaid before the listing.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain trade and bills receivable with net carrying amount of RMB460,998,000, RMB702,624,000, RMB828,866,000 and RMB813,665,000 respectively had been pledged for bank borrowings and other borrowings granted to the Group, details of which were set out in note 44.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain equipment and components controlled by customers with net carrying amount of RMB531,147,000, RMB202,858,000, RMB620,805,000 and RMB625,977,000 respectively had been pledged for bank borrowings and other borrowings granted to the Group.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain contract assets and receivables under service concession arrangements of PPP projects with net carrying amounts of RMB2,347,987,000, RMB2,719,455,000, RMB2,285,378,000 and RMB2,677,332,000 respectively had been pledged for bank borrowings granted to the Group, details of which were set out in note 44.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, interest-bearing bank borrowings with collateral and interest-bearing borrowings without collateral amounted to RMB962,330,000, RMB1,580,208,000, RMB2,245,407,000 and RMB3,122,956,000 respectively, which were jointly guaranteed by the Shanxi CIG and other related parties of the Group. The guarantees are expected to be released before the listing.

The Company

	As at December 31,									As at June 30,		
	2020			2021			2022			2023		
	Actual interest rate	Maturity		Actual interest rate	Maturity		Actual interest rate	Maturity		Actual interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current liabilities												
Bank borrowings – unguaranteed			–	4.46-5.35	2022	450,364	4.30-5.35	2023	690,000	2.55-4,70	2024	1,481,685
Bank borrowings – guaranteed	4.35-5.35	2021	560,736	4.30-5.22	2022	411,558	4.35-5.22	2023	130,000			–
Bank borrowings – secured			–	4.90	2022	100,000			–			–
Other borrowings – unguaranteed	4.50-8.80	2021	207,984	4.50-8.80	2022	523,660	4.50-8.80	2023	300,017	8.60-8.80	2024	40,000
Other borrowings – secured	5.22-5.87	2021	125,215	5.87	2022	50,000	5.20-8.70	2023	25,918	6.30-8.70	2024	59,380
			893,935			1,535,582			1,145,935			1,581,065
Current portion of long-term borrowings *(Note 37)*												
Bank borrowings – unguaranteed	6.65-9.00	2021	15,210			–			–			–
Other borrowings – secured	7.32-11.06	2021	171,387	6.90-10.79	2022	253,506	6.90-10.79	2023	310,239	5.30-10.79	2024	296,034
			186,597			253,506			310,239			296,034
Non-current liabilities												
Bank borrowings – unguaranteed			–			–	4.65-4.70	2025	200,000	4.65	2025	200,000
Other borrowings – secured	7.32-11.06	2023	66,277	7.32-10.79	2024	127,146	6.90-10.79	2026	244,956	5.30-10.79	2026	106,425
			66,277			127,146			444,956			306,425
			1,146,809			1,916,234			1,901,130			2,183,524

During the Track Record Period, the Company did not violate any financial covenants under the agreements of bank borrowings and other borrowings.

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed as:				
Bank borrowings:				
Within one year	575,946	961,922	820,000	1,481,685
Second year	–	–	–	200,000
Third to fifth year	–	–	200,000	–
	575,946	961,922	1,020,000	1,681,685
Other borrowings:				
Within one year	504,586	827,166	636,174	395,414
Second year	53,164	87,351	151,045	60,012
Third to fifth year	13,113	39,795	93,911	46,413
	570,863	954,312	881,130	501,839
	1,146,809	1,916,234	1,901,130	2,183,524

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain trade and bills receivable of the Company with net carrying amount of RMB455,998,000, RMB698,424,000, RMB546,866,000 and RMB531,665,000 respectively had been pledged for bank borrowings and other borrowings granted to the Company, details of which were set out in note 44.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain equipment and components controlled by customers with net carrying amount of RMB531,147,000, RMB202,858,000, RMB570,652,000 and RMB575,825,000 respectively had been pledged for bank borrowings and other borrowings granted to the Company.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, interest-bearing bank borrowings and interest-bearing borrowings without collateral of the Company amounted to RMB784,402,000, RMB1,385,619,000, RMB1,190,017,000 and RMB1,720,000,000 respectively, which were jointly guaranteed by the controlling shareholders and other related parties of the Company.

36. TAX PAYABLE

The Group

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Corporate income tax	32,753	15,808	32,704	19,730

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Corporate income tax	–	–	–	–

37. CURRENT PORTION OF NON-CURRENT LIABILITIES

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion of long-term borrowings *(Note 35)*	315,189	428,102	510,400	522,205
Current portion of deferred income *(Note 38)*	–	–	–	1,046
Current portion of long-term payables *(Note 34)*	2,419	–	–	300,000
Current portion of lease liabilities *(Note 39)*	3,375	3,600	4,501	4,794
Total	320,983	431,702	514,901	828,045

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion of long-term borrowings *(Note 35)*	186,597	253,506	310,239	296,034
Current portion of lease liabilities *(Note 39)*	1,622	2,337	2,671	2,243
Current portion of long-term payables *(Note 34)*	–	–	–	300,000
Total	188,219	255,843	312,910	598,277

38. DEFERRED INCOME

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants				
Subsidies for construction projects *(Note)*	–	–	23,000	23,000
Less: current portion of deferred income *(Note 37)*	–	–	–	(1,046)
	–	–	23,000	21,954

Note: Shanxi Shan'an Lide Environmental Technology Company Limited (山西山安立德環保科技有限公司), a subsidiary of the Company, received subsidies amounted to RMB23,000,000 granted by Shanxi Provincial Department of Finance (山西省財政廳) in relation to the construction on the waste recycling project (phase I) in Shanxi Transformation Comprehensive Reform Demonstration Zone Xiaohe Industrial Park (山西轉型綜合改革示範區瀟河產業園區) in March 2022. Pursuant to the document (Jin Cai Zi Huan [2021] No. 103) issued by Shanxi Provincial Department of Finance, the ownership of the completed waste treatment facilities shall belong to the Group. The project is under construction in progress as at December 31, 2022 and has completed in June 2023. The Group has recognized the amount received as deferred income, which will be amortised to profit or loss on a straight-line basis over the expected life of the related assets.

39. LEASE LIABILITIES

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total minimum lease payments				
Due within one year	7,038	7,268	7,920	8,326
Due within second to fifth year	26,348	24,073	25,509	23,254
Due after fifth years	99,574	95,092	86,629	93,990
	132,960	126,433	120,058	125,570
Future finance charges on lease liabilities	(59,372)	(54,504)	(49,257)	(50,043)
Present value of lease liabilities	73,588	71,929	70,801	75,527

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Present value of minimum lease payments				
Due within one year	3,375	3,600	4,501	4,794
Due within second to fifth year	10,153	9,809	10,909	10,092
Due after fifth years	60,060	58,520	55,391	60,641
	73,588	71,929	70,801	75,527
Less: Portion due within one year included under current liabilities *(Note 37)*	(3,375)	(3,600)	(4,501)	(4,794)
Portion due after one year included under non-current liabilities	70,213	68,329	66,300	70,733

As at December 31, 2020, 2021 and 2022 and June 30, 2023, lease liabilities of RMB73,588,000, RMB71,929,000, RMB70,801,000 and RMB75,527,000 respectively were secured by underlying assets. As at December 31, 2020, 2021, 2022 and June 30, 2023, the Group signed three, five, two and eight lease agreements respectively, for the purpose of, inter alia, an existing centralized heating facilities for a lease term of 20 years, 14 pieces of land for lease terms of 25-50 years and 18 office buildings for lease terms of 1-5 years, and cash outflow from the lease amounted to RMB18,843,000, RMB15,403,000, RMB20,949,000 and RMB23,464,000 respectively.

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total minimum lease payments				
Due within one year	1,949	2,786	2,863	2,352
Due within second to fifth year	7,207	6,147	2,397	1,437
	9,156	8,933	5,260	3,789
Future finance charges on lease liabilities	(3,408)	(2,513)	(270)	(279)
Present value of lease liabilities	5,748	6,420	4,990	3,510

The following table shows the remaining contract of the Company's lease liabilities:

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Present value of total minimum lease payments				
Due within one year	1,622	2,337	2,671	2,243
Due within second to fifth year	4,126	4,083	2,319	1,267
	5,748	6,420	4,990	3,510
Less: Portion due within one year included under current liabilities *(Note 37)*	(1,622)	(2,337)	(2,671)	(2,243)
Portion due after one year included under non-current liabilities	4,126	4,083	2,319	1,267

As at December 31, 2020, 2021 and 2022 and June 30, 2023, lease liabilities of RMB5,748,000, RMB6,420,000, RMB4,990,000 and RMB3,510,000 respectively were secured by underlying assets. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the Company signed two, five, one and two lease agreements respectively, for the purpose of 12 office buildings for lease terms of 1-5 years, and cash outflow from the lease amounted to RMB18,843,000, RMB15,403,000, RMB15,574,000 and RMB7,997,000 respectively.

40. SHARE CAPITAL

The Group and the Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share capital	800,000	1,000,000	1,000,000	1,000,000

The changes in share capital are as follows:

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital/Nominal value of ordinary shares				
At the beginning of the year/period	600,000	800,000	1,000,000	1,000,000
Capital injection from shareholders *(Notes i, ii and iii)*	200,000	200,000	–	–
At the end of the year/period	800,000	1,000,000	1,000,000	1,000,000
Number of ordinary shares (thousands) *(Note iii)*	N/A	1,000,000	1,000,000	1,000,000

Notes:

(i) Pursuant to the resolution passed by the Board in 2020, the paid-up capital of the Company was increased by RMB200,000,000. The paid-up capital of the Company was increased to RMB800,000,000 by the Shareholders in June 2020.

(ii) Pursuant to the resolution passed by the Board in 2021, the paid-up capital of the Company was increased by RMB200,000,000. In August 2021, the paid-up capital of the Company increased to RMB1,000,000,000 after further injection of RMB200,000,000 by the Shareholders.

(iii) The Company was a limited liability company and converted into a joint stock company with limited liability in December 2021. The equity of the Company of RMB1,272,206,000 had been converted into the share capital and the capital reserve of the joint stock limited company, each being RMB1,000,000,000 and RMB272,206,000. The share capital of the Company after conversion was RMB1,000,000,000, divided into 1,000,000,000 ordinary shares of RMB1 each.

41. RESERVE

(a) The Group

During the Track Record Period, the amounts of the Group's reserves and the changes therein are presented in the consolidated statement of changes in equity.

(b) The Company

	Paid-in capital/ share capital	**Capital reserve**	**Other reserves**	**Special reserve**	**Statutory surplus reserve**	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2020	600,000	19,991	67,853	–	37,451	297,612	1,022,907
Profit for the year	–	–	–	–	–	86,010	86,010
Other comprehensive income for the year	–	–	1,383	–	–	–	1,383
Total comprehensive income for the year	–	–	1,383	–	–	86,010	87,393
Capital injection from the equity holders of the Company	200,000	–	–	–	–	–	200,000
Appropriation of statutory surplus reserve	–	–	–	–	8,601	(8,601)	–
Dividends declared and paid *(Note 13)*	–	–	–	–	–	(99,671)	(99,671)
Provision of special reserve	–	–	–	142,229	–	–	142,229
Utilization of special reserve	–	–	–	(142,229)	–	–	(142,229)
	200,000	–	–	–	8,601	(108,272)	100,329

	Paid-in capital/ share capital *RMB'000*	Capital reserve *RMB'000*	Other reserves *RMB'000*	Special reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at December 31, 2020 and January 1, 2021	800,000	19,991	69,236	–	46,052	275,350	1,210,629
Profit for the year	–	–	–	–	–	82,268	82,268
Other comprehensive expense for the year	–	–	(2,337)	–	–	–	(2,337)
Total comprehensive (expense)/income for the year	–	–	(2,337)	–	–	82,268	79,931
Capital injection from the equity holders of the Company	200,000	272,206	–	–	(46,052)	(226,154)	200,000
Deemed distribution to equity holders of the Company	–	(13,694)	–	–	–	16,919	3,225
Appropriation of statutory surplus reserve	–	–	–	–	1,171	(1,171)	–
Dividends declared and paid *(Note 13)*	–	–	–	–	–	(113,469)	(113,469)
Provision of special reserve	–	–	–	184,427	–	–	184,427
Utilization of special reserve	–	–	–	(184,344)	–	–	(184,344)
	200,000	258,512	–	83	(44,881)	(323,875)	89,839
As at December 31, 2021	1,000,000	278,503	66,899	83	1,171	33,743	1,380,399

	Paid-in capital/ share capital	Capital reserve	Other reserves	Special reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022	1,000,000	278,503	66,899	83	1,171	33,743	1,380,399
Profit for the year	–	–	–	–	–	75,264	75,264
Other comprehensive income for the year	–	–	11,381	–	–	–	11,381
Total comprehensive income for the year	–	–	11,381	–	–	75,264	86,645
Appropriation to statutory surplus reserve	–	–	–	–	7,526	(7,526)	–
Dividends declared *(Note 13)*	–	–	–	–	–	(28,767)	(28,767)
Provision of special reserve	–	–	–	181,995	–	–	181,995
Utilization of special reserve	–	–	–	(182,078)	–	–	(182,078)
	–	–	–	(83)	7,526	(36,293)	(28,850)
As at December 31, 2022 and January 1, 2023	1,000,000	278,503	78,280	–	8,697	72,714	1,438,194
Profit for the period	–	–	–	–	–	39,824	39,824
Other comprehensive income for the period	–	–	1,165	–	–	–	1,165
Total comprehensive income for the period	–	–	1,165	–	–	39,824	40,989
Appropriation to statutory surplus reserve	–	–	–	–	3,982	(3,982)	–
Dividends declared *(Note 13)*	–	–	–	–	–	(71,678)	(71,678)
Provision of special reserve	–	–	–	62,973	–	–	62,973
Utilization of special reserve	–	–	–	(62,973)	–	–	(62,973)
	–	–	–	–	3,982	(75,660)	(71,678)
As at June 30, 2023	1,000,000	278,503	79,445	–	12,679	36,878	1,407,505

Capital reserve

Capital reserve comprises share premium and the impact of the conversion to a joint stock limited company and other capital reserve. During the Track Record Period, the amounts of the Company's capital reserve and the movements therein are presented in the consolidated statements of changes in equity.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from translating the financial statements of foreign operations. The reserve is treated in accordance with the accounting policy in note 3.2.

Special reserve

The Group has appropriated a certain amount of retained earnings to a special reserve fund for the three years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023 for safety production expense purposes under the rules issued by relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilized and transferred back to retained earnings until such special reserve was fully utilized.

Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves fund until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

Other reserves

Other reserves comprise the fair value of financial assets at FVOCI (non-recycling) and remeasurement of defined benefit. During the Track Record Period, the amounts of the Company's other reserves and the movements therein are presented in the consolidated statements of changes in equity.

Non-controlling interests

The detailed financial information of the principal NCIs is set out below:

			As at December 31, 2020							
	Principal place of business/ country of incorporation	**Percentage of ownership interests and voting rights held by NCIs**	**Current assets** *RMB'000*	**Non-current assets** *RMB'000*	**Total assets** *RMB'000*	**Current liabilities** *RMB'000*	**Non-current liabilities** *RMB'000*	**Total liabilities** *RMB'000*	**Net assets** *RMB'000*	**Carrying amount of NCIs** *RMB'000*
Shan'an Bluesky	China/ Mainland China	44%	393,167	542,653	935,820	(116,050)	(332,794)	(448,844)	486,976	208,778
Shanxi Shan'an Lide Environmental Technology Company Limited	China/ Mainland China	20.66%	14,839	56,075	70,914	(31,787)	–	(31,787)	39,127	8,677
Shanxi Ningyang Energy Company Limited	China/ Mainland China	49%	12,421	241,471	253,892	(177,757)	(62,280)	(240,037)	13,855	7,286
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	China/ Mainland China	10.90%	44,469	578,845	623,314	(190,154)	(322,613)	(512,767)	110,547	11,622
Jiexiu Shan'an Waterwork Construction Development Company Limited	China/ Mainland China	19.66%	156,441	187,013	343,454	(4,402)	(273,460)	(277,862)	65,592	12,878

	For the year ended December 31, 2020								
	Revenue	Profit/ (loss) for the year	Total comprehensive income/(loss) for the year	Profit and loss attributable to NCIs	Dividend paid to NCIs	Cash flows generated from/ (used in) operating activities	Cash flows used in investing activities	Cash flows (used in)/ generated from financing activities	Net (decrease)/ increase in cash and cash equivalents
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shan'an Bluesky	382,982	132,321	132,321	1,540	–	126,191	(44,906)	(237,863)	(156,578)
Shanxi Shan'an Lide Environmental Technology Company Limited	12,386	1,263	1,263	261	–	(33,782)	(1,411)	35,200	7
Shanxi Ningyang Energy Company Limited	173,101	(3,083)	(3,083)	(1,511)	–	10,799	(7,272)	(6,369)	(2,842)
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	20,217	(2,426)	(2,426)	(264)	–	44,085	(250,803)	200,564	(6,154)
Jiexiu Shan'an Waterwork Construction Development Company Limited	9,522	(3,851)	(3,851)	(757)	–	2,519	(200,076)	202,484	4,927

	As at December 31, 2021									
	Principal place of business/ country of incorporation	Percentage of ownership interests and voting rights held by NCIs	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Carrying amount of NCIs
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shan'an Bluesky	China/ Mainland China	44%	409,161	535,130	944,291	(104,302)	(304,709)	(409,011)	535,280	229,087
Shanxi Shan'an Lide Environmental Technology Company Limited	China/ Mainland China	20.66%	58,145	180,501	238,646	(83,998)	(107,309)	(191,307)	47,339	10,374
Shanxi Ningyang Energy Company Limited	China/ Mainland China	49%	6,158	234,590	240,748	(178,637)	(17,500)	(196,137)	44,611	22,356
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	China/ Mainland China	10.90%	49,628	611,812	661,440	(157,131)	(371,213)	(528,344)	133,096	12,689
Jiexiu Shan'an Waterwork Construction Development Company Limited	China/ Mainland China	19.66%	96,921	328,968	425,889	(71,009)	(290,280)	(361,289)	64,600	12,708

	For the year ended December 31, 2021								
	Revenue	Profit/ (loss) for the year	Total comprehensive income/(loss) for the year	Profit and loss attributable to NCIs	Dividend paid to NCIs	Cash flows generated from/ (used in) operating activities	Cash flows generated from/ (used in) investing activities	Cash flows generated from/ (used in) financing activities	Net increase/ (decrease) in cash and cash equivalents
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shan'an Bluesky	380,685	98,305	98,305	2,149	–	85,208	100,430	(102,336)	83,302
Shanxi Shan'an Lide Environmental Technology Company Limited	101,707	8,211	8,211	1,696	–	(2,311)	(129,372)	133,109	1,426
Shanxi Ningyang Energy Company Limited	257,044	30,755	30,755	15,070	–	60,956	(10,676)	(49,976)	304
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	41,982	9,781	9,781	1,066	–	39,501	(93,095)	39,958	(13,636)
Jiexiu Shan'an Waterwork Construction Development Company Limited	10,579	(8,545)	(8,545)	(1,680)	–	11,095	(34,277)	20,449	(2,733)

	As at December 31, 2022									
	Principal place of business/ country of incorporation	Percentage of ownership interests and voting rights held by NCIs	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Carrying amount of NCIs
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shan'an Bluesky	China/Mainland China	43.23%	609,375	492,865	1,102,240	(145,200)	(308,723)	(453,923)	648,317	272,553
Shanxi Shan'an Lide Environmental Technology Company Limited	China/Mainland China	15.62%	126,591	254,762	381,353	(140,452)	(174,041)	(314,493)	66,860	11,393
Shanxi Ningyang Energy Company Limited	China/Mainland China	49.00%	12,805	221,763	234,568	(160,657)	(10,500)	(171,157)	63,411	31,521
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	China/Mainland China	9.38%	138,911	528,299	667,210	(143,040)	(377,178)	(520,218)	146,992	13,631
Jiexiu Shan'an Waterwork Construction Development Company Limited	China/Mainland China	24.72%	55,002	381,082	436,084	(81,360)	(294,515)	(375,875)	60,209	14,891

	For year ended December 31, 2022								
	Revenue	Profit/ (loss) for the year	Total comprehensive income/(loss) for the year	Profit and loss attributable to NCIs	Dividend paid to NCIs	Cash flows generated from operating activities	Cash flows used in investing activities	Cash flows generated from financing activities	Net increase/ (decrease) in cash and cash equivalents
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shan'an Bluesky	406,456	103,037	103,037	43,465	–	175,678	(187)	(5,634)	169,857
Shanxi Shan'an Lide Environmental Technology Company Limited	72,634	6,524	6,524	1,019	–	36,124	(58,615)	43,982	21,491
Shanxi Ningyang Energy Company Limited	308,896	18,800	18,800	9,165	–	36,618	(1,227)	(35,909)	(518)
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	40,941	10,051	10,051	943	–	48,257	(32,600)	(12,336)	3,321
Jiexiu Shan'an Waterwork Construction Development Company Limited	3,645	(11,950)	(11,950)	(2,954)	–	14,469	(32,081)	7,124	(10,488)

			As at June 30, 2023							
	Principal place of business/ country of incorporation	Percentage of ownership interests and voting rights held by NCIs	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Carrying amount of NCIs
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shan'an Bluesky	China/Mainland China	43.23%	570,146	596,429	1,166,575	(145,324)	(304,012)	(449,336)	717,239	320,217
Shanxi Shan'an Lide Environmental Technology Company Limited	China/Mainland China	15.62%	137,836	271,980	409,816	(161,364)	(180,463)	(341,827)	67,989	11,569
Shanxi Ningyang Energy Company Limited	China/Mainland China	49.00%	19,240	215,243	234,483	(169,075)	(7,000)	(176,075)	58,408	29,047
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	China/Mainland China	9.38%	139,567	514,191	653,758	(137,093)	(362,146)	(499,239)	154,519	15,125
Jiexiu Shan'an Waterwork Construction Development Company Limited	China/Mainland China	24.72%	37,717	398,436	436,153	(99,264)	(282,025)	(381,289)	54,864	13,569

	For six months ended June 30, 2023								
	Revenue	Profit/ (loss) for the period	Total comprehensive income/(loss) for the period	Profit and loss attributable to NCIs	Dividend paid to NCIs	Cash flows (used in)/ generated from operating activities	Cash flows (used in)/ generated from investing activities	Cash flows (used in)/ generated from financing activities	Net (decrease)/ increase in cash and cash equivalents
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shan'an Bluesky	283,475	68,922	68,922	29,795	–	(37,862)	(35,561)	(7,461)	(80,884)
Shanxi Shan'an Lide Environmental Technology Company Limited	46,414	1,129	1,129	176	–	(8,384)	(31,189)	17,258	(22,315)
Shanxi Ningyang Energy Company Limited	140,345	(5,002)	(5,002)	(2,451)	–	(904)	4	9,771	8,871
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	21,489	6,704	6,704	629	–	48,518	20	(36,852)	11,686
Jiexiu Shan'an Waterwork Construction Development Company Limited	1,008	(5,344)	(5,344)	(1,321)	–	21,897	(3,173)	(22,328)	(3,604)

42. DISPOSAL OF SUBSIDIARIES

42.1 Disposal of Yunnan Huaxi New Energy Development Co. Ltd. and Malone Xiehe Wind Power Co., Ltd.

In December 2020, the Group has entered into a sale and purchase agreement with an independent third party to dispose of the entire interest of Yunnan Huaxi New Energy Development Co. Ltd. (雲南華羲新能源發展有限公司) and its subsidiary of Malone Xiehe Wind Power Co., Ltd. (馬龍協合風力發電有限公司), for the consideration of RMB6,409,000.

	2020
	RMB'000
Net assets disposed of:	
Property, plant and equipment	397,989
Deferred tax assets	1
Cash and cash equivalents	1,268
Prepayments, deposits and other receivables	95,961
Trade receivables and bills receivable	2,869
Trade payables and bills payable	(101,038)
Other payables and accruals	(144,773)
Other borrowings	(249,530)
Net assets disposed of	2,747
Consideration for the transaction	6,409
Gain on disposal of subsidiaries	3,662

	For the year ended December 31,	
	2020	2021
	RMB'000	*RMB'000*
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:		
Cash consideration	3,054	3,355
Cash and bank balances disposed of	(1,268)	–
Net cash inflow	1,786	3,355

42.2 Disposal of Shanxi Xu'an Real Estate Development Co., Ltd. ("Shanxi Xu'an")

In August 2021, the Group has entered into a sale and purchase agreement with a related party, Shanxi Construction Investment City Operation Group., Ltd. (山西建投城市運營集團有限公司), who is wholly owned by Shanxi CIG, to dispose of the entire interest of Shanxi Xu'an for the consideration of RMB31,772,000.

	2021
	RMB'000
Net assets disposed of:	
Property, plant and equipment	129
Intangible assets	4
Cash and cash equivalents	3,414
Prepayments, deposits and other receivables	10,583
Trade receivables	15,786
Properties under development	192,595
Inventories	31,666
Trade payables and bills payable	(61,901)
Other payables and accruals	(168,613)
Contract liabilities	(403)
Employee benefits payable	(7)
Tax payable	(574)
Net assets disposed of	22,679
Consideration for the transaction	31,772
Gain on disposal of subsidiary	9,093
An analysis of the net cash inflow in respect of the disposal of subsidiary for the year ended December 31, 2021 is as follows:	
Cash consideration first installment *(note)*	16,000
Cash and bank balances disposed of	(3,414)
Net cash inflow	12,586

Note: As at December 31, 2021 and 2022 and June 30, 2023, the remaining consideration payable of RMB15,772,000, RMB5,772,000 and RMB5,772,000 were recognized in other receivables, the amounts are interest-free and repayable on demand term.

42.3 Disposal of Yu'an Hengchuang

As at December 31, 2020, the Company directly owned 51% equity interest of Yu'an Hengchuang. In December 2021, the Company disposed its 31% equity interests in Yu'an Hengchuang to Shanxi Exquisite Construction Workforce Company Limited without consideration, who is indirectly wholly-owned by Shanxi CIG.

	2021
	RMB'000
Net assets disposed of:	
Property, plant and equipment	31,023
Right-of-use assets	820
Cash and cash equivalents	12,757
Prepayments, deposits and other receivables	287,989
Deferred tax assets	69
Trade receivables	1,172,549
Inventories	1,782
Bank and other borrowings	(10,193)
Trade payables and bills payable	(1,387,374)
Other payables and accruals	(40,798)
Contract liabilities	(580)
Employee benefits payable	(306)
Tax payable	(22,958)
Lease liabilities	(605)
Net asset value	44,175
Net asset value held by the equity holders of the Company	22,530
Carry amount of the residual interest recognized as investment in associates *(Note 21)*	(8,836)
Reduction in capital reserve for deemed distribution to equity holders of the Company*	(13,694)
	–
An analysis of the net cash outflow in respect of the disposal of the subsidiary is as follows:	
Cash and bank balances disposed of	(12,757)
Net cash outflow	(12,757)

* The disposal was a deemed distribution among the Company, the value of Yu'an Hengchuang's assets that transferred to Shanxi CIG was deducted from the capital reserve of the Company. This reduction in capital reserve represented the fact that relevant assets are no longer owned by the Company, and are owned by Shanxi CIG upon the disposal of Yu'an Hengchuang. Hence, there is the reduction in capital reserve for deemed distribution of the subsidiary's assets to equity holders of the Company.

43. FINANCIAL GUARANTEE CONTRACT

The Group and the Company

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the financial guarantee provided by the Group and the Company to subsidiaries and related parties amounted to approximately RMB3,912,686,000, RMB2,569,456,000, RMB3,237,487,000 and RMB3,772,648,000. Amongst which, as of June 30, 2023, the Group and the Company provided financial guarantees to the related parties as a joint guarantor with other shareholders of the project company in proportion to our equity interest in the project company for the bank loans procured for the financing of a construction project. As of June 30, 2023, the outstanding balance of the relevant financial guarantees amounted to RMB8,085,000. Such financial guarantees issued by the Group are expected to be released upon maturity and full repayment of the relevant bank loans, and will not be released prior to or upon Listing.

For bank guarantee provided by the Group, the utilization amount of bank financial guarantee by subsidiaries and related parties are as follows:

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees provided to the bank in respect of the following borrowings:				
Subsidiaries	1,898,160	2,502,726	2,374,619	2,546,339
Related parties	568,311	66,730	60,550	8,085
	2,466,471	2,569,456	2,435,169	2,554,424

The above amounts represent the maximum exposure amounts of the Group and the Company under the financial guarantee contract. Given the low default rate and sound financial condition of relevant subsidiaries and related parties, the directors of the Company are of the view that the fair value of these financial guarantee contracts at initial recognition and at the end of each reporting period is insignificant.

The unutilized balances of the financial guarantee contract are as follows:

The Group and the Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees provided to the bank in respect of the following borrowings:				
Subsidiaries	1,158,093	–	802,318	1,213,998
Related parties	288,122	–	–	4,226
	1,446,215	–	802,318	1,218,224

44. PLEDGED ASSETS

At the end of each Track Record Period, the Group's certain assets have been pledged to secure bank borrowings and other borrowings granted to the Group. The gross book value of the pledged assets of the Group as at the end of the reporting period is as follows:

The Group

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables and bills receivable *(note 29)*	460,998	702,624	828,866	813,665
Contract assets *(note 20)*	1,543,849	773,523	18,894	619,386
Receivables under service concession arrangements *(note 20)*	804,138	1,945,932	2,266,484	2,057,946
Restricted bank deposits *(note 31)*	269,646	328,983	748,105	597,762
	3,078,631	3,751,062	3,862,349	4,088,759

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivable and bill receivables *(note 29)*	455,998	698,424	546,866	531,665
Restricted bank deposits *(note 31)*	269,646	328,983	747,505	597,162
	725,644	1,027,407	1,294,371	1,128,827

45. CONTINGENT LIABILITIES

(i) Litigation related to equipment purchase contract ("Equipment Purchase Contract")

On July 29, 2021, a plaintiff ("Plaintiff A"), a supplier of the Group, filed a lawsuit with the Intermediate People's Court of Taiyuan City, Shanxi Province, seeking an order for the Company to perform an Equipment Purchase Contract entered into with it and settle the remaining contract price of RMB21,559,000 ("Case 1").

Plaintiff A have delivered part of the contracted equipment amounted total RMB22,100,400 and the Group have paid Plaintiff A RMB7,627,000. The Group considered that the equipment delivered doesn't meet the technical requirement of contract and filed a counterclaim requesting to terminate the Equipment Purchase Contract and demanding Plaintiff A to refund the paid amount and the damages cost.

On November 8, 2021, the Intermediate People's Court of Taiyuan City, Shanxi Province ruled that the Equipment Purchase Contract and the Technical Agreement entered into between the parties were terminated, the Company was ordered to pay Plaintiff A RMB14,473,000 for the goods delivered. The Company filed an appeal to the Shanxi High People's Court on December 29, 2021. As of the reporting date, Case 1 was in the progress.

The Group have recognized the provision for the equipment received total RMB14,473,000 as at December 31, 2021 and 2022 and June 30, 2023 and the directors considered that case 1 would not have any material adverse effect on the Group.

(ii) Litigation related to the construction of public infrastructure

On April 19, 2023, the Company received a notice dated 14 April 2023 from the Intermediate People's Court of Honhot (the "People's Court") that a plaintiff ("Plaintiff B") filed a lawsuit with the People's Court, seeking an order pursuant to a framework agreement in relation to the construction of public infrastructure entered into by the Company and District Government of Huimin District, Honhot in July 2017 for, among others, (i) the payment of approximately RMB117,693,000, including RMB108,047,000 as contract sum and the remaining as interest payment owed by the Company, (ii) the confirmation of contractual relationship between Plaintiff B, the Company and the project owners for the construction work of the lighting works of 241 buildings in Honhot (the "Lighting Works of 241 Buildings"), and (iii) the confirmation of supply of materials between Plaintiff B, the Company and the project owners for the Lighting Works of 241 Buildings ("Case 2").

However, the Company only entered into contractual relationship with Plaintiff B in 2018 in relation to the lighting works for certain buildings (the "2018 Agreement") with a contract sum of RMB9,300,000 where the Company has already paid RMB9,000,000 to Plaintiff B. As such, it is yet to be determined by the court whether Plaintiff B had carried out any work and entitled to payment in respect of the Lighting Works of the 241 Buildings.

Pursuant to the legal opinion from the legal advisor in relation to this lawsuit, the Directors of the Company considered that the People's Court may support the claim on the outstanding contractual sum based on the 2018 Agreement, i.e. RMB300,000 and the relevant interest, considering that the Company has already paid RMB9,000,000 to Plaintiff B and all relevant invoices in relation to the 2018 agreement with a total amount of RMB9.3 million are provided by Plaintiff B to the Company while the chance that the People's Court supports other claims of Plaintiff B is low. As of the reporting date, the Case 2 in the People's Court is in process and yet to be ruled.

The Directors of the Company considered that Case 2's remaining outstanding amount is insignificant, Case 2 would not have any material adverse effect on the Group.

46. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

	Interest-bearing bank loans and other borrowings *RMB'000*	**Borrowings from related parties (included in other borrowings and other payable)** *RMB'000*	**Lease liabilities** *RMB'000*
On January 1, 2020	3,162,112	377,000	68,914
Cash flows:			
– repayment	(1,657,122)	(22,467)	–
– proceeds	1,638,789	153,438	–
– repayment on capital element of lease liabilities	–	–	(4,480)
– repayment on interest element of lease liabilities	–	–	(3,392)
Non-cash transactions:			
– entering into a new lease	–	–	9,154
– interest expense	330	–	3,392
– disposal of a subsidiary *(note 42.1)*	(249,530)	–	–
On December 31, 2020 and January 1, 2021	2,894,579	507,971	73,588
Cash flows:			
– repayment	(1,327,876)	(550,171)	–
– proceeds	2,186,971	862,844	–
– repayment on capital element of lease liabilities	–	–	(2,701)
– repayment on interest element of lease liabilities	–	–	(3,552)

	Interest-bearing bank loans and other borrowings	Borrowings from related parties (included in other borrowings and other payable)	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*
Non-cash transactions:			
– entering into a new lease	–	–	1,647
– interest expense	50	–	3,552
– disposal of a subsidiary *(note 42.3)*	(10,193)	–	(605)
On December 31, 2021 and January 1, 2022	3,743,531	820,644	71,929
Cash flows:			
– repayment	(1,601,624)	(433,997)	–
– proceeds	2,648,323	518,360	–
– repayment on capital element of lease liabilities	–	–	(4,692)
– repayment on interest element of lease liabilities	–	–	(3,733)
Non-cash transactions:			
– entering into new leases	–	–	3,564
– interest expense	3,679	–	3,733
On December 31, 2022	4,793,909	905,007	70,801

	Interest-bearing bank loans and other borrowings	Borrowings from related parties (included in other borrowings and payable)	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*
On January 1, 2023	4,793,909	905,007	70,801
Cash flows:			
– repayment	(809,895)	(355,079)	–
– proceeds	1,874,431	89,220	–
– repayment on capital element of lease liabilities	–	–	(3,471)
– repayment on interest element of lease liabilities	–	–	(1,924)
Non-cash transactions:			
– entering into a new lease	–	–	8,197
– interest expense	1,398	–	1,924
On June 30, 2023	5,859,843	639,148	75,527

	Interest-bearing bank loans and other borrowings	Borrowings from related parties (included in other borrowings and payable)	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*
On January 1, 2022	3,743,531	820,644	71,929
Cash flows:			
– repayment	(812,131)	(166,324)	–
– proceeds	1,307,689	363,260	–
– repayment on capital element of lease liabilities	–	–	(3,264)
– repayment on interest element of lease liabilities	–	–	(1,505)
Non-cash transactions:			
– interest expense	4,495	1,611	1,505
On June 30, 2022 (unaudited)	4,243,584	1,019,191	68,665

47. OPERATING LEASE ARRANGEMENT

As a lessor

The Group rented investment properties in accordance with the operating lease arrangement (note 16), for a term of 6 months to 5 years as agreed. Tenants are generally required to pay deposits according to the terms of the leases and rents will be adjusted regularly based on the prevailing market conditions.

At the end of the Track Record Period, the Group's total future aggregate minimum lease receipts under non-cancellable operating lease is as follows:

The Group and the Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	7,964	10,226	7,284	4,370
In the second to the fifth year	15,945	10,298	2,402	1,389
	23,909	20,524	9,686	5,759

As a lessee

At the end of the Track Record Period, the Group's lease commitment for short term leases is as follows:

The Group and the Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,614	2,708	1,701	3,673

48. CAPITAL COMMITMENTS

The Group has the following capital commitments at the end of the Track Record Period:

The Group

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided				
Property, plant and equipment	46,965	31,005	30,200	39,626
Subscribed capital contribution of associated companies	–	86,660	104,460	123,835
	46,965	117,665	134,660	163,461

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided				
Subscribed capital contribution of associated companies	–	86,660	104,460	123,835

49. RELATED PARTY TRANSACTIONS

(a) During the Track Record Period, the Group had the following material transactions with related parties,which are not disclosed elsewhere in the Historical Financial Information:

	Years ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Associates					
Sales transactions:					
Specialized industrial construction	–	1,787	97,963	58,668	14,852
Specialized auxiliary construction	68,292	247,904	–	–	–
Other construction	48,035	24,383	23,521	23,500	526
Non-construction	2,308	1,699	12,170	2,904	1,692
	118,635	**275,773**	**133,654**	**85,072**	**17,070**

	Years ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Procurement transactions[#]:					
Payment for materials	98,884	324,804	–	–	–
Payment for construction	–	572	–	–	–
Payment for equipment	–	1,526	356	124	–
Lease payment	–	–	8,144	6,835	–
Service fees	40	464	7,652	3,927	4,765
	98,924	**327,366**	**16,152**	**10,886**	**4,765**
Other transaction:					
Interest income	32,839	–	107	–	1,174
Affiliates under common control by Shanxi CIG*					
Sales transactions:					
Specialized industrial construction	3,576	115,509	125,063	4,421	143,884
Specialized auxiliary construction	132,476	36,909	211,622	65,731	67,480
Other construction	26,792	43,279	239,889	20,757	105,058
Non-construction	19,534	186,850	162,968	73,981	56,779
	182,378	**382,547**	**739,542**	**164,890**	**373,201**
Procurement transactions:					
Payment for materials	43,400	200,242	1,131,356	398,878	442,806
Payment of labor forces	21,965	67,704	1,932	645	743
Payment for construction	16,388	3,866	79,771	51,529	12,649
Lease payments	509	980	4,962	635	3,598
Payment for equipment	3,014	6,836	1,433	60	–
Service fees	228	40,752	1,028	674	1,393
Purchase of land use right	–	60,027	–	–	–
	85,504	**380,407**	**1,220,482**	**452,421**	**461,189**
Other transactions:					
Gain on disposal of a subsidiary *(note 42.2)*	–	9,093	–	–	–
Interest income	–	16,364	1,767	514	–
Finance charge on factoring *(Note 7)*	–	–	9,534	–	–
Interest expense	66,351	67,351	96,178	34,474	14,505

	Years ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Affiliates under common control by SSCO (山西國運) (excluding Shanxi CIG)					
Sales transactions:					
Specialized industrial construction	55,632	126,152	353,577	66,636	200,834
Specialized auxiliary construction	120,683	209,851	9,303	17,626	6,047
Other construction	61,328	19,439	50,237	46,204	16,172
Non-construction	281,643	277,192	274,648	155,702	152,237
	519,286	**632,634**	**687,765**	**286,168**	**375,290**
Procurement transactions:					
Payment for materials	170,376	154,111	537,867	244,925	126,903
Payment of labor forces	172	104	141	141	–
Payment for construction	2,449	9,894	6,154	1,612	226
Payment for equipment	–	3,120	20,478	14,922	195
Service fees	648	279	525	96	–
	173,645	**167,508**	**565,165**	**261,696**	**127,324**
Other transaction:					
Interest expense	–	–	7,360	–	1,936
Yu'an Hengchuang *(Note)*					
Procurement transactions:					
Payment of labor forces	2,165,065	3,061,901	529,655	395,366	99,401
Less: inter-group transaction	(2,165,065)	(3,045,123)	–	–	–
	–	**16,778**	**529,655**	**395,366**	**99,401**

* Not include associates which are also affiliates under control by Shanxi CIG.

\# Not included transaction of the payment of labor forces with Yu'an Hengchuang

Note: As at December 31, 2020, the Company owned 51% equity interest of Yu'an Hengchuang. The Company disposed its 31% equity interest in Yu'an Hengchuang in December 2021 refer to note 42.3 for details.

(b) Outstanding balances with related parties:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables and bills receivable:				
Associates				
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	–	–	37,749	54,735
Changzhi Caihui Shanan Energy Technology Co., Ltd.	236,491	554,207	–	–
Taiyuan Xie'an Property Service Co., Ltd.	–	–	271	195
Shanxi Jiantou Cloud Data Technology Co., Ltd.	–	96	–	201
Yu'an Hengchuang	–	–	9,946	10,906
Shanxi Jianfa Comprehensive Energy Development Co., Ltd.	–	948	8,786	6,871
	236,491	555,251	56,752	72,908
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	251,793	150,482	614,119	567,035
Affiliates under common control by SSCO (excluding Shanxi CIG)	160,691	272,652	471,043	458,070
	412,484	423,134	1,085,162	1,025,105
Total	**648,975**	**978,385**	**1,141,914**	**1,098,013**
Trade payables:				
Associates				
Taiyuan Xie'an Property Service Co., Ltd.	–	–	1,252	1,997
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	66,353	66,000	–	–
Yu'an Hengchuang	–	–	281,854	276,528
	66,353	66,000	283,106	278,525

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	50,321	185,461	516,193	837,628
Affiliates under common control by SSCO (excluding Shanxi CIG)	20,759	520,367	184,600	113,184
	71,080	705,828	700,793	950,812
	137,433	**771,828**	**983,899**	**1,229,337**
Prepayments, deposits and other receivables:				
Trade in nature				
Associates				
Taiyuan Xie'an Property Service Co., Ltd.	–	–	195	–
Yu'an Hengchuang	–	–	45,575	16,688
Shanxi Jiantou Cloud Data Technology Co., Ltd.	–	–	–	36
	–	–	45,770	16,724
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	2,933	2,206	25,798	27,280
Affiliates under common control by SSCO (excluding Shanxi CIG)	19,083	105,973	33,493	5,212
	22,016	108,179	59,291	32,492
	22,016	108,179	105,061	49,216
Non-trade in nature *(Note)*				
Associates				
Shanxi Construction Investment International Investment Co., Ltd.	–	–	23,532	15,705
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	–	–	7,682	–
	–	–	31,214	15,705

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Former associates				
Jincheng Danhe Huada Real Estate Development Co., Ltd.	63,647	29,000	29,971	26,971
Jincheng Danhe Huasheng Real Estate Development Co., Ltd.	136,192	56,633	20,468	18,468
	199,839	85,633	50,439	45,439
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	660,669	448,225	537,934	423,131
Affiliates under common control by SSCO (excluding Shanxi CIG)	5,470	–	–	6,066
	666,139	448,225	537,934	429,197
	865,978	533,858	619,587	490,341
Total	**887,994**	**642,037**	**724,648**	**539,557**
Advances from customers:				
Associates				
Shanxi Jianfa Comprehensive Energy Development Co., Ltd.	–	–	168	3,983
Changzhi Caihui Shanan Energy Technology Co., Ltd.	1,196	1,168	–	–
Jincheng Danhe Huasheng Real Estate Development Co., Ltd.	–	13,343	–	–
Shanxi Jiantou Cloud Data Technology Co., Ltd.	–	–	101	–
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	–	–	–	712
	1,196	14,511	269	4,695

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	3,287	6,525	113,131	69,397
Affiliates under common control by SSCO (excluding Shanxi CIG)	25,045	21,194	42,849	19,222
	28,332	27,719	155,980	88,619
Total	**29,528**	**42,230**	**156,249**	**93,314**
Other payables:				
Trade in nature				
Associates				
Taiyuan Xie'an Property Service Co., Ltd.	–	–	11,258	10,670
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	1,100	291	–	–
Yu'an Hengchuang	–	–	5,086	8,452
	1,100	291	16,344	19,122
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	–	–	3,215	7,066
Affiliates under common control by SSCO (excluding Shanxi CIG)	–	–	6,739	6,440
	–	–	9,954	13,506
	1,100	291	26,298	32,628
Non-trade in nature *(note)*				
Associates				
Yu'an Hengchuang	–	–	1,900	–
Jinjian Shan'an	–	–	120,000	120,000
Changzhi Caihui Shan'an Energy Technology Co., Ltd.	–	–	–	1,000
	–	–	121,900	121,000

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	562,260	360,000	457,677	461,480
Affiliates under common control by SSCO (excluding Shanxi CIG)	–	–	2	–
	562,260	360,000	457,679	461,480
	562,260	360,000	579,579	582,480
Total	**563,360**	**360,291**	**605,877**	**615,108**

Note: The balances with related parties that are non-trade in nature will be fully settled before listing.

(c) Remuneration of key management personnel of the Company:

The Group and the Company

	As at December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salary, allowances and other benefits	6,377	4,075	11,550	3,809	3,117
Pension scheme contributions	700	634	899	369	409
	7,077	4,709	12,449	4,178	3,526

(d) Undertaking from Shanxi CIG

During the Track Record Period, some of the employees was not willing to contribute to the housing provident fund and the Group have not contribute social insurance and housing provident fund for those employees. Shanxi CIG, undertakes to make up for any outstanding contributions as well as fines or penalties incurred therefrom in accordance with the amount approved by the competent authorities and to compensate the Group in full for any economic losses caused by such matters.

The Directors considered that (1) the Group have paid those employees with the amount of social insurance entitled to them; (2) the Group have acquired compliance certificates from local social insurance authorities confirming that they have not been subject to any administrative penalty due to non-compliance with relevant regulations related to social insurance; and (3) the Group have obtained legal advisor advised that the likelihood of receiving any notice of penalties or demand for repayment from relevant authorities is remote.

The Directors considered that it is not practical to disclose the potential impact given that the aforementioned employees have relatively high turnover rate and no fixed contract hours.

50. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each financial instrument as at the end of each of the Track Record Period are as follows:

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets measured at FVOCI:				
Unlisted equity investments	135,441	122,692	138,813	139,803
Bills receivable	324,078	310,141	296,247	278,632
Financial assets measured at amortized cost:				
Trade receivables	4,020,952	5,239,433	6,075,119	5,909,779
Financial assets included in deposits and other receivables	1,405,615	932,777	1,025,154	831,696
Restricted bank deposits	269,646	328,983	748,105	597,762
Cash and cash equivalents	814,814	1,040,579	1,380,892	1,697,117
	6,970,546	7,974,605	9,664,330	9,454,789
Financial liabilities				
Financial liabilities measured at amortized cost:				
Trade payables and bills payable	4,844,502	7,594,503	9,170,618	9,541,048
Other payables (including long-term payable)	1,533,717	1,052,878	1,187,562	1,128,290
Interest-bearing bank borrowings and other borrowings	3,102,550	4,264,176	5,398,916	6,198,991
Lease liabilities	73,588	71,929	70,801	75,527
	9,554,357	12,983,486	15,827,897	16,943,856

The Company

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets measured at FVOCI:				
Unlisted equity instruments	135,441	122,692	138,813	139,803
Bills receivable	279,553	286,767	240,110	274,224
Financial assets measured at amortized cost:				
Trade receivables	4,024,146	4,929,620	5,533,572	5,488,897
Financial assets included in deposits and other receivables	2,065,848	1,504,989	1,477,639	1,266,531
Restricted bank deposits	269,646	328,983	747,505	597,162
Cash and cash equivalents	540,969	651,520	776,081	1,135,919
	7,315,603	7,824,571	8,913,720	8,902,536
Financial liabilities				
Financial liabilities measured at amortized cost:				
Trade payables and bills payable	4,750,365	6,623,467	9,417,093	10,376,487
Other payables (including long-term payable)	1,832,273	1,689,806	1,249,772	1,130,296
Interest-bearing bank borrowings and other borrowings	1,146,809	1,916,234	1,901,130	2,183,524
Lease liabilities	5,748	6,420	4,990	3,510
	7,735,195	10,235,927	12,572,985	13,693,817

51. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The management has assessed that the fair value of current cash and cash equivalents, restricted bank deposits, certain trade receivables and bills receivable, trade payable, part of interest-bearing bank borrowings and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The finance department of the Group headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of Track Record Period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation, who is prepared by the third party qualified valuers. The valuation is reviewed and approved by the chief finance officer.

Financial assets measured at FVOCI

Certain financial assets of the Group are measured at fair value at the end of each of the Track Record Period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable data under Level 3 of the fair value hierarchy, the Group engages the third party qualified valuers to perform the valuation. The finance department works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The finance department reports findings to the directors of the Company at the end of each of Track Record Period to explain the cause of fluctuations in the fair value.

The Group and the Company

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	21,849	135,441	122,692	138,813
Additions	114,965	–	–	–
Fair value gain/(loss) for the year/period, net	1,627	(2,749)	16,121	990
Disposals	(3,000)	(10,000)	–	–
Carrying amount at the end of the year/period	135,441	122,692	138,813	139,803

Disclosures of level in fair value measurement as at December 31, 2020, 2021 and 2022 and June 30, 2023:

	Fair value hierarchy	Fair value as at December 31, 2020	Fair value as at December 31, 2021	Fair value as at December 31, 2022	Fair value as at June 30, 2023	Valuation techniques	Significant inputs-due to discount for lack of marketability December 31, 2020	December 31, 2021	December 31, 2022	June 30, 2023	Relationship of unobservable input(s) to fair value
		RMB'000	*RMB'000*	*RMB'000*							
Financial assets measured at FVOCI											
Unlisted equity investments	Level 3	135,441	122,692	138,813	139,803	Market comparison method	25.32% to 41.27%	17.30% to 24.92%	26.93% to 28.81%	25.60% to 28.81%	The higher the discount rate, the lower the fair value
Bills receivable	Level 2	324,078	310,141	296,293	278,632	Based on discounted cash flow that capture the present value of future expected cash flows derived from underlying assets	N/A	N/A	N/A	N/A	The higher the discount rate, the lower the fair value

There were no transfer between level 1, 2 and 3 and no transfer into or out of level 2 and 3 during the Track Record Period.

The unlisted equity investments are measured at fair value and classified as Level 3 fair value measurement. The fair value is estimated by using market comparison method that is based on the price-to-earnings ratio or price-to-book ratio ("P/B ratio"), which depends on the business scale on the unlisted equity investments. During the Track Record Period, the fair values of unlisted equity investments have been estimated by multiplying the P/B ratio of the identified comparable companies by the book value of the unlisted equity investments, respectively with adjusting to discount rate for lack of marketability.

Should the discount rate increase or decrease by 5%, the fair value of the unlisted equity investments would be decreased or increased by approximately RMB6,772,000, RMB6,135,000, RMB6,941,000 and RMB6,990,000 as at December 31, 2020, 2021 and 2022 and June 30, 2023.

Bill receivables at FVOCI is measured at fair value at the end of each of the Track Record Period. In the opinion of the Directors, the fair value of bills receivable is close to its carrying amounts given all bill receivables will mature within one year.

The fair values of non-current portion of contract assets and non-current portion of interesting-bearing bank borrowings and other borrowings are calculated by discounting the expected future cash flows with interest rate used being applied to the financial instruments with similar maturity, credit risk and remaining maturity. At the end of each of the Track Record Period, the non-performance risk for the non-current portion of interesting-bearing bank borrowings and other borrowings of the Group was considered to be insignificant.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial instruments of the Group comprise cash and cash equivalents, and restricted bank deposits, the main purpose of which is to support for the operations of the Group. The Group has various other financial assets and liabilities such as trade receivables and bills receivable and trade payables and bills payable, which arise directly from its operations.

The main risks arising from the financial instruments of the Group are interest rate risk, credit risk and liquidity risk. As the exposure to these risks by the Group has been minimized, the Group has not used any derivatives and other instruments to hedge those risks. The Group would not hold or issue any derivative financial instruments for trading purpose. The Board reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The exposure to market risk by the Group mainly relates to changes in interest rate of its interest-bearing bank borrowings and other borrowings bearing variable interest rate. The Group has not used any derivative financial instrument to hedge interest rate risk.

The following table demonstrates the sensitivity of the profit after tax of the Group and the Company (through the effect of variable borrowing rates) to a reasonable change in interest rates with all other variables held constant.

The Group

	Actual interest rate range	**Increase/ (decrease) in basic points**	**(Decrease)/ increase in profit after tax** *RMB'000*
As at December 31, 2020			
Bank borrowings and other borrowings bearing variable interest rate	3.85%-11.06%	100	(48,062)
		(100)	48,062
As at December 31, 2021			
Bank borrowings and other borrowings bearing variable interest rate	3.85%-10.79%	100	(69,336)
		(100)	69,336
As at December 31, 2022			
Bank borrowings and other borrowings bearing variable interest rate	1.45%-10.79%	100	(40,492)
		(100)	40,492
As at June 30, 2023			
Bank borrowings and other borrowings bearing variable interest rate	1.45%-10.79%	100	(46,493)
		(100)	46,493

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations under financial instruments resulting in financial losses to the Group. The exposure to credit risk by the Group is mainly due to providing facilities to customers during the ordinary operating and investing activities.

At December 31, 2022, the Group assigns its gross trade receivables of RMB207,642,000 to the immediate holding company and receive the cash of RMB198,108,000 from the immediate holding company to manage the credit risk. The immediate holding company would analyze the Group's customers, credit approval and collection processing of the receivables. The agreement transferred the credit risk to the immediate holding company without recourse so as to mitigate credit exposure of the Group.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the maximum exposure to credit risk by the Group for each item under the Historical Financial Information is the carrying amount as disclosed in the Note 50.

Trade receivables and bills receivable, receivables under service concession arrangements and contract assets

It is the policy of the Group to deal only with creditworthy counterparties. Credit rating is granted to new customers after credit assessment is made by the credit control department. When appropriate, customers may be requested to provide proof as to their financial position. External credit rating and/or reports on customers are obtained and used at reasonable cost. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in notes, the Group assesses expected credit losses for trade receivables, bills receivable, receivable under service concession arrangements and contract assets based on provision matrix, and the expected loss rates are based on the historical settlement experience as well as the corresponding historical credit losses. The Group considered the receivable under service concession arrangements and contract assets share the similar risk profile with the corresponding trade receivables of the same project and apply the expected loss rate of corresponding trade receivables as proxy to derive at the expected loss rate of the receivable under service concession arrangements and contract assets.

The historical loss rates are adjusted based on the current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. Details are set as below:

Historical loss rate

The Group summarizes the trade receivables into appropriate age bands for the last 36 months (the historical back-testing dates) to calculate the historical loss rate representing the percentage of trade receivables in each age band that was ultimately written off. In calculating the average historical loss rate of the each age band, the Group applies a roll rates on each age band which represents the percentage of trade receivables that are not received in the age band and rolled to the next time band and ultimately written-off.

In determining trade receivables that are ultimately written off, the Group considers that the trade receivables is credit-impaired or has no reasonable expectation of recovery when one or more events of default that bear a detrimental impact on the estimated future cash flows of that financial asset have occurred including but not limited to:

(a) significant financial difficulty of the customer;

(b) a breach of contract, such as a default or past due event;

(c) it is becoming probable that the customer will enter into bankruptcy or other financial reorganization; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

The roll rate on each age band is carefully considered, taking into account, among others, (i) the historical loss pattern based on actual settlement record of the customers; (ii) historical amount of bad debt written off from the trade receivables (if any); (iii) the percentage of trade receivable balances in one age band rolled to the next age band; (iv) the relevant credit rating, background and existence of any negative news affecting the credibility of an individual customer; and (v) other forward looking macroeconomic factors.

Forward looking adjustment

The Group adjust the historical loss rate taking into account forward looking factors. The Group has applied multiple factor regression model for determine the forward looking factors adjustment. The adjustment determined by the multiple factor regression model is significantly affected by the COVID-19 pandemic and some significant changes in the market indexes during the Track Record Period, the current market conditions and future economic environment. The macro-economic factors include the GDP Price Index, construction industrial index and Money Supply data in the PRC are considered relevant in calculating the adjustment as most of the customers and projects are carried out in the PRC.

At the end of each of the Track Record Period, the historical default rates are updated and changes in the forward-looking estimates are analyzed. However, given exposure to credit risk in short term, the effects from those macroeconomic factors are insignificant/forward-looking information is applied, the Group has taken into the relevant effects from changes in general economic environment caused by COVID-19.

Trade receivables and bills receivable, receivables under service concession arrangements and contract assets are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to engage with the Group on alternative payment arrangement amongst other is considered to be indicators of no reasonable expectation of recovery.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, among the expected credit losses allowance for trade receivables as below, the expected credit losses allowance for trade receivables individually was approximately RMB70,600,000, RMB111,651,000, RMB93,396,000 and RMB105,423,000, and the total book values before expected credit losses allowance was approximately RMB70,600,000, RMB111,651,000, RMB93,396,000 and RMB105,423,000.

Based on the above, expected credit losses for trade receivables and bills receivable, receivables under service concession arrangements and contract assets as at December 31, 2020, 2021 and 2022 and June 30, 2023 has been determined as below:

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit losses rate:				
– trade receivables *(note)*	4.26%	4.63%	4.74%	5.45%
– bills receivable	0.37%	0.61%	1.04%	0.82%
– receivables under service concession arrangements	0.42%	0.71%	1.18%	1.18%
– contract assets	0.42%	0.71%	1.19%	1.18%
Gross carrying amount:				
– trade receivables	4,200,013	5,494,045	6,377,191	6,250,184
– bills receivable	325,293	312,036	299,367	280,930
– receivables under service concession arrangements	1,053,098	2,430,661	2,769,022	2,875,202
– contract assets	3,324,500	4,709,268	6,408,982	6,754,660
Expected credit losses:				
– trade receivables	179,061	254,612	302,072	340,405
– bills receivable	1,215	1,895	3,120	2,298
– receivables under service concession arrangements	4,457	17,290	32,663	34,032
– contract assets	14,069	33,496	76,482	79,954

Note: The following table is an aging analysis of the net carrying amount of the trade receivables (based on invoice date) together with the expected credit loss rate during the Track Record Period:

	As of December 31,						As at June 30,	
	2020		2021		2022		2023	
	Trade receivables	Expected credit loss rate	Trade receivables	Expected credit loss rate	Trade receivables	Expected credit loss rate	Trade receivables	Expected credit loss rate
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Within 1 year	2,850,108	0.45%	3,681,765	0.75%	4,380,473	1.20%	3,308,645	1.13%
1 to 2 years	682,967	2.92%	938,598	2.36%	1,032,153	3.96%	1,622,206	3.05%
2 to 3 years	341,061	11.18%	357,775	7.24%	396,423	7.17%	468,520	6.01%
3 to 4 years	87,720	15.68%	214,366	19.98%	209,197	15.17%	390,609	10.21%
4 to 5 years*	59,096	12.63%	46,929	29.43%	56,873	40.30%	119,799	22.61%
Over 5 years	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Total	**4,020,952**	**4.26%**	**5,239,433**	**4.63%**	**6,075,119**	**4.74%**	**5,909,779**	**5.45%**

* The increase in the expected credit loss rate under the age band of 4 to 5 years as of December 31, 2022 was mainly due to a customer, who had filed for debt restructuring and was approved by the court in 2021, with the balance of trade receivables of RMB22,564,000 recognized under the age band of 4 to 5 years was fully impaired by individual assessment.

Other financial assets measured at amortized cost

Other financial assets measured at amortized cost include deposits and other receivables, restricted bank deposits and cash and cash equivalents. In order to minimize the credit risk of deposits and other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience as well as current external information and makes adjustment based on the weighted probability of forward-looking information including operation default rate of debtors. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. If the credit risk of debt instruments is considered to be high, collateral is required before granting the debts to debtors. In these regards, the credit risk of deposits and other receivables is considered to be low.

Besides, as at December 31, 2020, 2021 and 2022 and June 30, 2023, it is expected that deposits and other receivables from debtors amounts to RMB1,405,615,000, RMB932,777,000, RMB1,025,154,000 and RMB896,695,000 in aggregate. As disclosed in note 30, the management of the Group considers there is no significant increase in credit risk on deposits and other receivables since initial recognition as the risk of default is low after taking the factors in note 3.2 into account. Therefore, expected credit losses determination is based on 12-months expected credit losses. The expected credit losses ratio for deposits and other receivables is 1.54%, 2.73%, 3.53% and 4.79% as at December 31, 2020, 2021 and 2022 and June 30, 2023.

Credit risk for restricted bank deposits and cash and cash equivalents is considered to be immaterial, as the counterparts are banks/financial institutions with high credit ratings by international credit rating agencies.

Liquidity risk

The liquidity of the Group mainly depends on the ability to maintain sufficient operation cash inflow to repay debts when due, and ability to obtain external finance to fund future capital expenditure committed.

As at June 30, 2023, the Group had net current liabilities of RMB387,198,000. As explained in note 2 to the Historical Financial Information, the Historical Financial Information have been prepared on a going concern basis as the directors of the Company are of the opinion that the Group has sufficient reserve of cash and cash equivalents and financing support for its working capital purpose and to enable it to continue to meet its obligations as they fall due.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Period, based on the contractual undiscounted payments, is as follows:

The Group

	Within 1 year *RMB'000*	**1 to 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total contractual undiscounted cash flows** *RMB'000*	**Book value** *RMB'000*
As at December 31, 2020					
Trade payables and bills payable	4,844,502	–	–	4,844,502	4,844,502
Other payables and accruals (including long-term payable)	1,233,717	367,253	–	1,600,970	1,533,717
Interest-bearing bank borrowings and other borrowings	1,388,466	563,959	1,709,841	3,662,266	3,102,550
Lease liabilities	7,038	26,348	99,574	132,960	73,588
	7,473,723	957,560	1,809,415	10,240,698	9,554,357
Financial guarantee issued maximum amount *(note)*	568,311	–	–	568,311	–
As at December 31, 2021					
Trade payables and bills payable	7,594,503	–	–	7,594,503	7,594,503
Other payables and accruals (including long-term payable)	752,878	337,749	–	1,090,627	1,052,878
Interest-bearing bank borrowings and other borrowings	2,131,689	518,534	2,055,195	4,705,418	4,264,176
Lease liabilities	7,268	24,073	95,092	126,433	71,929
	10,486,338	880,356	2,150,287	13,516,981	12,983,486
Financial guarantee issued maximum amount *(note)*	66,730	–	–	66,730	–

	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flows *RMB'000*	Book value *RMB'000*
As at December 31, 2022					
Trade payables and bills payable	9,170,618	–	–	9,170,618	9,170,618
Other payables (including long-term payable)	916,662	308,245	–	1,224,907	1,187,562
Interest-bearing bank borrowings and other borrowings	2,959,585	1,727,845	1,483,218	6,170,648	5,398,916
Lease liabilities	7,920	105,139	6,999	120,058	70,801
	13,054,785	2,141,229	1,490,217	16,686,231	15,827,897
Financial guarantee issued maximum amount *(note)*	60,550	–	–	60,550	–
As at June 30, 2023					
Trade payables and bills payable	9,541,048	–	–	9,541,048	9,541,048
Other payables (including long-term payable)	1,151,171	–	–	1,151,171	1,128,290
Interest-bearing bank borrowings and other borrowings	3,731,480	1,724,134	1,466,437	6,922,051	6,198,991
Lease liabilities	8,326	23,254	93,990	125,570	75,527
	14,432,025	1,747,388	1,560,427	17,739,840	16,943,856
Financial guarantee issued maximum amount *(note)*	8,085	–	–	8,085	–

Note: The amount presented is the maximum amount that the Group could be required to settle under the arrangement for the full guaranteed amount.

The Company

	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flows *RMB'000*	Book value *RMB'000*
As at December 31, 2020					
Trade payables and bills payable	4,750,365	–	–	4,750,365	4,750,365
Other payables and accruals (including long-term payable)	1,532,273	367,253	–	1,899,526	1,832,273
Interest-bearing bank borrowings and other borrowings	1,092,956	100,589	–	1,193,545	1,146,809
Lease liabilities	1,949	7,207	–	9,156	5,748
	7,377,543	475,049	–	7,852,592	7,735,195
Financial guarantee issued maximum amount *(note)*	2,466,471	–	–	2,466,471	–
As at December 31, 2021					
Trade payables and bills payable	6,623,467	–	–	6,623,467	6,623,467
Other payables and accruals (including long-term payable)	1,389,806	337,749	–	1,727,555	1,689,806
Interest-bearing bank borrowings and other borrowings	1,813,321	137,226	–	1,950,547	1,916,234
Lease liabilities	2,786	6,147	–	8,933	6,420
	9,829,380	481,122	–	10,310,502	10,235,927
Financial guarantee issued maximum amount *(note)*	2,569,456	–	–	2,569,456	–
As at December 31, 2022					
Trade payables and bills payable	9,417,093	–	–	9,417,093	9,417,093
Other payables (including long-term payable)	978,872	308,245	–	1,287,117	1,249,772
Interest-bearing bank borrowings and other borrowings	1,555,152	485,570	–	2,040,722	1,901,130
Lease liabilities	2,863	2,397	–	5,260	4,990
	11,953,980	796,212	–	12,750,192	12,572,985

	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flows *RMB'000*	Book value *RMB'000*
Financial guarantee issued maximum amount *(note)*	2,435,169	–	–	2,435,169	–
As at June 30, 2023					
Trade payables and bills payable	10,376,487	–	–	10,376,487	10,376,487
Other payables (including long-term payable)	1,153,177	–	–	1,153,177	1,130,296
Interest-bearing bank borrowings and other borrowings	1,960,880	331,050	–	2,291,930	2,183,524
Lease liabilities	2,352	1,437	–	3,789	3,510
	13,492,896	332,487	–	13,825,383	13,693,817
Financial guarantee issued maximum amount *(note)*	2,554,424	–	–	2,554,424	–

Note: The amount presented is the maximum amount that the Company could be required to settle under the arrangement for the full guaranteed amount.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern by pricing services commensurately with the level of risk so that it can continue to provide returns and benefits to the shareholders and other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the subject assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any external capital requirements. During the Track Record Period, there are no changes in capital management objectives, policies or procedures.

The Group monitors capital using a gearing ratio, which is the sums of interest-bearing borrowings divided by total equity. Total equity includes the equity attributable to equity holders of the Company and non-controlling interests stated in the Historical Financial Information.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its operation of the business. The principal strategies adopted by the Group include, but not limited to, evaluating future cash flow requirements and ability to meet debt repayment schedules when due, maintaining available banking facilities at a reasonable level and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to fund its operation. The gearing ratio of the Group as at the end of the Track Record Period is as follows:

	As at December 31,			As at June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings *(Note 35)*	3,102,550	4,264,176	5,398,916	6,198,991
Total equity	1,784,083	2,014,073	2,232,920	2,279,932
Gearing ratio	1.74	2.12	2.42	2.72

53. EVENT AFTER THE REPORTING PERIOD

No audited financial statements have been prepared by the Group in respect of any subsequent period.

The following information does not form part of the Accountants' Report from the Company's reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group as at June 30, 2023 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at June 30, 2023 or at any future date. The unaudited pro forma statement of adjusted net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2023 as set out in the Accountants' Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2023	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2023**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 5)*
Based on the Offer Price of HK$1.89 per Share, after Downward Offer Price Adjustment of 10%	1,807,319	529,384	2,336,703	1.75	1.91
Based on the Offer Price of HK$2.10 per Share	1,807,319	591,341	2,398,660	1.80	1.96
Based on the Offer Price of HK$2.36 per Share	1,807,319	668,093	2,475,412	1.86	2.03

Notes:

(1) The audited consolidated net tangible assets of the Group as at June 30, 2023 is extracted from the Accountants' Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at June 30, 2023 of approximately RMB1,823,238,000 with an adjustment for the intangible assets and goodwill as at June 30, 2023 of RMB954,000 and RMB15,000,000, and adjusting the share of intangible assets attributable to non-controlling interests of RMB35,000.

(2) The estimated net proceeds from the Global Offering are based on 333,334,000 Shares at the Offer Price of HK$2.10 (being the bottom end of the indicative Offer Price range) per Share and HK$2.36 (being the maximum Offer Price) per Share respectively, and also based on an Offer Price of HK$1.89 per Share after making a Downward Offer Price Adjustment of 10% below bottom end of the indicative Offer Price range, after deduction of the estimated underwriting fees and commissions and other estimated listing-related expenses expected to be incurred by the Group subsequent to June 30, 2023 (excluding approximately RMB16,750,000 listing expenses that have been charged to the consolidated statements of profit or loss and other comprehensive income during the Track Record Period). The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 1,333,334,000 Shares (being the number of ordinary shares expected to be in issue immediately after the completion of the Global Offering). No account has been taken of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company under the general mandates granted to the Directors.

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2023 to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2023.

(5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.9172. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Grant Thornton
致同

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SHANXI INSTALLATION GROUP CO., LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shanxi Installation Group Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at June 30, 2023, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated November 10, 2023, in connection with the proposed global offering of the Company's shares (the "**Global Offering**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page II-2.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at June 30, 2023 as if the Global Offering had taken place at June 30, 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended June 30, 2023, on which an accountants' report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Global Offering at June 30, 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

November 10, 2023

Kan Kai Ching
Practicing Certificate No: P07816

PRC TAXATION

TAXATION ON DIVIDENDS

Individual Investors

Pursuant to the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was last amended on August 31, 2018 and came into effect on January 1, 2019 and the *Implementation Provisions of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 and came into effect on January 1, 2019, for individual income including interest, dividend and bonus, shall pay individual income tax with applicable proportional tax rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus obtained from enterprises, institutions, other organizations and individual residents within China are deemed as derived from the PRC whether the payment place is in the PRC.

For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Enterprise Investors

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得稅法》) (the "EIT Law"), which was amended on December 29, 2018 and became effective on the same date, and the Implementation Provisions of the Enterprise Income Tax Law of the PRC, which was amended on April 23, 2019 and became effective on the same date, a nonresident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for nonresident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the nonresident enterprise when such payment is made or due.

The *Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares* (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued by the SAT on November 6, 2008 and became effective on the same date, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas nonresident enterprise shareholders of H Shares. In addition, the *Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding*

Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to nonresident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant jurisdiction or area, where applicable.

Pursuant to the *Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006 and came into effect on December 8, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The *Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation*(《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the *Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

TAXATION ON SHARE TRANSFER

Individual Investor

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the *Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares* (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the State Administration of Taxation on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The State Administration of Taxation did not clearly stipulate whether to continue to exempt individuals from the taxation on income from the transfer of shares of listed companies in the latest revised IIT Law.

However, On December 31, 2009, the MOF, the State Administration of Taxation and CSRC jointly issued the *Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which became effective on January 1, 2010, states that individuals' income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the *Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments on November 10, 2010).

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of PRC resident enterprises listed on overseas stock exchange. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a nonresident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for nonresident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the nonresident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the *Stamp Duty Law of the People's Republic of China*, which was promulgated in June 10, 2021 and became effective in July 1, 2022, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

According to the *Law of the PRC on Stamp Duty* (《中華人民共和國印花稅法》) promulgated on June 10, 2021 and became effective on July 1, 2022, the purchase and disposal of H shares by non-PRC investors outside of the PRC does not apply to the relevant provisions of the *Law of the PRC on Stamp Duty* (《中華人民共和國印花稅法》).

Estate Duty

As of the Latest Practicable Date, the PRC does not impose any estate duty.

Shanghai-Hong Kong Stock Connect Taxation Policy

The *Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market* (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (the "Shanghai-Hong Kong Stock Connect Taxation Policy") jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on October 31, 2014 and became effective on November 17, 2014, clearly sets forth taxation policy involved in the pilot inter-connected mechanism for trading via Shanghai-Hong Kong Stock Connect. The *Notice on Continuing the Application of Relevant Individual Income Tax Policies under the Interconnected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market* (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) jointly promulgated by the Ministry of Finance, the *State Administration of Taxation* and the China Securities Regulatory Commission on November 1, 2017 and became effective on November 17, 2017 and the *Circular on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in the Shanghai and Hong Kong Stock Markets and for Transactions in the Shenzhen and Hong Kong Stock Markets* (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的通知》) jointly promulgated by the Ministry of Finance, the State Administration of

Taxation and the China Securities Regulatory Commission on December 4, 2019 and became effective on December 5, 2019 clearly sets forth relevant issues on taxation policy applicable to mainland individual investors.

According to Shanghai-Hong Kong Stock Connect Taxation Policy and the requirements of the said notice and circular, from November 17, 2014 to December 31, 2022, transfer spread income derived from investment by mainland individual investors in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect will be temporarily exempted from individual income tax. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland corporate investors through Shanghai-Hong Kong Stock Connect. For the avoidance of doubt, as the business tax has been replaced by value-added tax, the aforesaid business tax should be referred to value-added tax accordingly. For dividends and bonus received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, individual income tax shall be withheld and paid by the H share listed company at the rate of 20%. For dividends and bonus received by mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, individual income tax is withheld by China Securities Depository and Clearing Corporation Limited ("CSDCC") at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the valid tax credit document.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in shares listed on the Stock Exchange by mainland corporate investors through Shanghai-Hong Kong Stock Connect. For the avoidance of doubt, as the business tax has been replaced by value-added tax, the aforesaid business tax should be referred to value-added tax accordingly. Enterprise income tax will be levied according to law on dividend income derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors, and the tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax by themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who deal with, inherit, and are bestowed upon with shares listed on the Stock Exchange via the Shanghai-Hong Kong Stock Connect are subject to stamp duties in accordance with current taxation requirements in Hong Kong. CSDCC and Hong Kong Securities Clearing Company Limited are authorized to levy stamp duties above on behalf of each other.

Shenzhen-Hong Kong Stock Connect Taxation Policy

The *Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market* (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (the "SZHK Stock Connect Taxation Policy") jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on November 5, 2016 and became effective on December 5, 2016, clearly sets forth taxation policy involved in the pilot inter-connected mechanism for trading via Shanghai-Hong Kong Stock Connect. The *Circular on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in the Shanghai and Hong Kong Stock Markets and for Transactions in the Shenzhen and Hong Kong Stock Markets* (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的通知》) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on December 4, 2019 clearly sets forth relevant issues on taxation policy applicable to mainland individual investors.

According to SZHK Stock Connect Taxation Policy and the requirements of the said circular, from December 5, 2016 to December 31, 2022, transfer spread income derived from investment by mainland individual investors in shares listed on the Hong Kong Stock Exchange through SZHK Stock Connect will be temporarily exempted from individual income tax. Business tax will be exempted during the pilot period of transforming business tax to value-added tax on spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland individual investors through SZHK Stock Connect. For dividends and bonus received by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange via SZHK Stock Connect, individual income tax shall be withheld and paid by the H share listed company at the rate of 20%. For dividends and bonus received by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange via SZHK Stock Connect, individual income tax is withheld by CSDCC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the valid tax credit document.

Pursuant to the SZHK Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in its total income) derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through SZHK Stock Connect. Value-added tax will be exempted during the pilot period of transforming business tax to value-added tax in accordance with the current policy for spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland corporate investors through SZHK Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in its total income) derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through SZHK Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors, and the tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax by themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the SZHK Stock Connect Taxation Policy, mainland investors who deal with, inherit, and are bestowed upon with shares listed on the Stock Exchange via the SZHK Stock Connect are subject to stamp duties in accordance with current taxation requirements in Hong Kong. CSDCC and Hong Kong Securities Clearing Company Limited are authorized to levy stamp duties above on behalf of each other.

PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Law and the Implementation Rules of the Enterprise Income Law of the People's Republic of China, enterprises are classified into resident enterprises and nonresident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And nonresident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A resident enterprise shall pay the EIT on its incomes arising from both inside and outside PRC at the tax rate of 25%. A nonresident enterprise that has establishments or places of business in the PRC shall pay EIT on its incomes originating from PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has actual connection with such establishments or places of business, at the tax rate of 25%. A nonresident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its income derived from the PRC at a rate EIT of 10%.

According to the *Administrative Measures for Determination of High and New Tech Enterprises* (《高新技術企業認定管理辦法》), which was enacted on January 1, 2016 by the Ministry of Science and Technology, the Department of Finance and the State Administration of Taxation, an enterprise which is determined as a high and new tech enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the Enterprise Income Tax Law of the People's Republic of China and the *Regulation on the Implementation of the Enterprise*

Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》). According to the *Notice on Promoting Nationwide the Enterprise Income Tax Policies for Advanced Technology Service Enterprises Across the Country* (《關於將技術先進型服務企業所得稅政策推廣至全國實施的通知》) promulgated by the MOF, the State Administration of Taxation, the MOFCOM, the Ministry of Science and Technology and the NDRC on November 2, 2017, with effect from January 1, 2017, the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15% nationwide. The portion of the employee educational expenses of a certified advanced technology service enterprise not exceeding 8% of its total salaries and wages shall be allowed to be deducted in calculating its taxable income; and the excessive portion shall be allowed to be carried forward to the subsequent tax years for deduction.

Value-Added Tax

According to the *Interim Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 2, 2016 and November 19, 2017, and the *Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the "VAT Law"), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

In accordance with the *Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax* (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by the MOF and State Administration of Taxation on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

According to the *Notice on the Adjustment to VAT Rates* (《關於調整增值稅稅率的通知》), promulgated by the MOF and the State Administration of Taxation on April 4, 2018 and became effective on May 1, 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (《關於深化增值稅改革有關政策的公告》 promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the *Regulations of the PRC on Foreign Exchange Control* (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") and it came into effect on April 1, 1996, which classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to the approval of foreign exchange administration agencies. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and came into effect on August 5, 2008. According to the latest amendment to the Foreign Exchange Control Regulations, PRC will not impose any restriction on international current payments and transfers.

The *Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、售匯及付匯管理規定》) promulgated by PBOC on June 20, 1996 and effective on July 1, 1996 does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business.

On October 23, 2014, the State Council issued the *Decision of the State Council on Cancelling and Adjusting a Group of Administrative Approval Items and Other Matters* (《國務院關於取消和調整一批行政審批項目等事項的決定》), which canceled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing* (《國家外匯管理局關於境外上市外匯管理有關問題的通知》). Pursuant to the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special account for overseas listing of domestic company" at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015 and imposed on June 1, 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the *Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE and came into effect on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of foreign exchange capital, foreign loans and raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 18, 2017, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

The *Notice of SAFE on Further Facilitating Cross-Board Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) promulgated by SAFE on October 23, 2019 and became effective on the same date canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises and restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the *Circular of SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business* (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated on April 10, 2020 and came into effect on June 1, 2020 by the SAFE, under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises that satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction. The concerned banks may conduct random examination in accordance with the relevant requirements, and the local foreign exchange bureau should strengthen monitoring and analysis, and supervision in process and afterwards.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to the Company. This summary is with no intention to include all the information which may be important to the potential investors. Laws and regulations relating to the PRC taxation are discussed separately in "Appendix III – Taxation and Foreign Exchange". For discussion of laws and regulations specifically governing the business of the Company, please see section entitled "Regulatory Overview" in this document.

PRC LAWS AND REGULATIONS

The PRC legal system

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法) ("Constitution") and is composed of the documentary laws, administrative regulations, local regulations, separate rules, autonomy regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory and other regulatory documents. Court precedents do not constitute legally binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the PRC (2015 Revise) (《中華人民共和國立法法(2015年修正)》) (hereinafter referred to as "Legislation Law"), the National People's Congress ("NPC") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing civil and criminal matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council is the highest administrative authority of the PRC, and has the right to enact administrative regulations under the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities directly under the central government and their standing committees may formulate respective regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters concerning, among others, urban and rural development and management, environmental protection, historical and cultural protection, based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall conform with the Constitution, laws, and administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. The people's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, and adaptations of provisions of laws and administrative regulations may be introduced, provided they do not contravene the basic principles of the laws or administrative regulations. No adaptation shall be made to the specific provisions on national autonomous areas in the Constitutions, national region autonomy law and other relevant laws and administrative regulations.

The ministries, commissions of the State Council, PBOC, National Audit Office of the State Council and other institutions with administrative functions directly under the State Council may formulate rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's governments of provinces, autonomous regions and municipalities directly under the central government and cities divided into districts and autonomous regions may formulate rules, in accordance with laws, administrative regulations and relevant local regulations.

The Constitution has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts and autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul administrative regulations that contravene the Constitution, laws and to annul any local regulations that contravene the Constitution, laws and administrative regulations, to annul autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the Resolutions of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, all laws or legal provisions that need to be further defined or supplemented shall be interpreted by the Standing Committee of the NPC or regulated in decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court of the People's Republic of China (the "Supreme People's Court"). Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate of the People's Republic of China (the "Supreme People's Procuratorate"). If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee of the NPC for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities. The State Council and its ministries and committees also have the right to interpret the administrative regulations and departmental rules they enacted. At the local level, the right to interpret local laws, regulations, and administrative regulations rests with the local legislative and administrative agencies that promulgate laws, rules and regulations.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of the PRC on Organization of the People's Courts (2018 Revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the judicial system in PRC is composed of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are composed of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts may establish certain courts by region, population and case. Special people's courts include military courts and maritime courts, intellectual property rights courts, finance courts and other special courts. The Supreme People's Court is the highest judicial body of the PRC. The Supreme People's Court supervises the administration of justice by the local people's courts at all levels, and the people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Procuratorate has the right to supervise the judgments and rulings which have become legally effective in the people's courts at all levels, and a people's procuratorate at a higher level has the right to supervise the judgments and rulings which have become legally effective in the people's court at lower level.

The PRC Civil Procedure Law (2021 Revision) (《中華人民共和國民事訴訟法》(2021年修正)) (the "Civil Procedure Law"), which was adopted in 1991 and amended in 2007, 2012, 2017 and 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with relevant requirement under the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that in any case, the provisions of the Civil Procedure Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization generally have the same litigation rights and obligations as a citizen or legal person of the PRC when initiating or defending any proceedings at a people's court. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the People's Republic of China, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the People's Republic of China's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement the judgment, verdict or ruling. If a party to a civil action fails to enforce the court judgment within the prescribed time limit, the court will, upon the application of the other party, enforce the judgment according to law.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, THE MEASURES FOR OVERSEAS ISSUANCE AND LISTING AND THE GUIDELINES

A joint stock limited company incorporated in the PRC seeking listing on Hong Kong Stock Exchange is mainly subject to the following laws and regulations of the PRC:

- The PRC Company Law (《中華人民共和國公司法》) ("PRC Company Law") which was enacted by the Standing Committee of the NPC on December 29, 1993 and came into effect on July 1, 1994, and was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The latest revised PRC Company Law came into effect on October 26, 2018;

- The Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (the "Measures for Overseas Issuance and Listing"), which was promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023, applicable to PRC domestic enterprises directly or indirectly issuing securities overseas or having their securities listed and traded overseas. The Guidelines for the Application of Regulatory Rules – Overseas Issuance and Listing No. 1 ("Guideline No. 1"), which was promulgated by the CSRC and became effective on February 17, 2023, whereby a PRC domestic enterprise seeking direct issuance and listing overseas shall formulate its articles of association with reference to the Guidelines for the Articles of Association of Listed Companies and other provisions of the CSRC on corporate governance to regulate its corporate governance;

- The Guidelines for the Articles of Association of Listed Companies (the "Guidelines"), which was promulgated by the CSRC on December 16, 1997, last amended on January 5, 2022 and became effective on the same date, provide guidance for the articles of association of the companies. The Articles of Association have been amended in accordance with the Guidelines, a summary of which is set out in the section headed "Summary of Articles of Association" in Appendix V to this document.

Set out below is a summary of the major provisions applicable to the Company of the PRC Company Law, the Measures for Overseas Issuance and Listing and the Guidelines.

General

A joint stock limited company refers to a corporate legal person incorporated under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company shall be incorporated by a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. For companies established by public subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, a company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a board of supervisors shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with the company registration authorities, and other documents as required by the law or administrative regulations.

Where companies are incorporated by public subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must publish a prospectus and prepare a subscription letter to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC laws must be engaged to conduct a capital verification and furnish a certificate thereof.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A joint stock limited company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by public subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on this document to ensure that this document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value, except for assets prohibited by laws or administrative regulations as capital contributions. If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share certificates. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share certificates and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

A PRC domestic company is required to file with the CSRC before offering its shares to the public outside of China. Pursuant to the Measures for Overseas Issuance and Listing, a PRC domestic company's overseas issuance and listing of its securities shall be made to overseas investors, except in compliance with the Measures for Overseas Issuance and Listing or as otherwise provided by the State.

Registered Share Certificates

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law.

Under the PRC Company Law, when the company issues share certificates in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders.

When the company launches a public issuance of new shares with the approval of or filing with the CSRC, it shall publish a new prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- it shall apply to the relevant administration for the registration of the reduction in registered capital.

Buy-back of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to apply its shares to its employees ownership plan or equity inventive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) where its shares are used to convert corporate bonds issued by a listed company that can be converted into stocks; and (vi) where it is necessary for a listed company to maintain its corporate value and stockholders' equity.

The purchase of shares on the grounds set out in (i) to (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. The acquisition by a company of its own shares in circumstances as set out in items (iii), (v) and (vi) above may be approved by way of a resolution at a board meeting with two-third or more of the directors present in accordance with the provisions of the company's articles of association or the authorization of the shareholders' general meeting.

Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within 10 days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above, or in the event of a purchase made pursuant to item (iii), (v) or (vi), hold a total number of its own shares not more than 10% of the total shares issued by the company and transfer or cancel within three years of the purchase.

A listed company shall perform its information disclosure obligations in accordance with the provisions of the Securities Law of People's Republic of China (the "Securities Law") when acquiring its own shares. The acquisition by a listed company of its own shares in circumstances as set out in items (iii), (v) and (vi) shall be conducted through open centralized trading.

The company shall not accept the shares of the company as the subject of pledge.

Transfer of Shares

Shares held by shareholders may be transferred according to laws. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Pursuant to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, shareholder register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held and claim from damages from other shareholders who abuse their rights;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than employee representative of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

According to the PRC Company Law and the Guidelines for the Articles of Association of Listed Companies, the annual general meeting shall be held once a year and within six months following the end of the previous accounting year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the laws, administrative regulations, departmental rules or articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company.

According to the Guidelines for the Articles of Association of Listed Companies, the following matters shall be approved by more than two-thirds of the voting rights held by shareholders attending the meeting: (i) the amounts of significant assets purchased or sold or guarantees provided by a company within one year exceeding 30% of its most recent audited total assets; (ii) an equity incentive scheme; (iii) other matters stipulated by laws, administrative regulations or articles of association, or those determined by the shareholders' general meeting through an ordinary resolution as will have a significant impact on the company and need to be passed by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if reelected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly reelected director takes office, if reelection is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the setup of the company's internal management organs;
- to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint vice chairmen. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

- a person who is liable for a relatively large amount of debts that are overdue.

According to the Guidelines for the Articles of Association of Listed Companies, a person who is prohibited from entering the securities market by the CSRC must not serve as a director of a company before the end of the prohibition.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one-third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if reelected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly reelected supervisor takes office, if reelection is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The Company's board of supervisors must held at least a meeting every six months. Under the PRC Company Law, resolutions of the board of supervisors shall be passed by more than half of the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require relevant directors and senior management correct those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management; and
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system and the plan for establishing the internal management authorities of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to exercise other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties.

Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accepting and possessing commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the board of supervisors, without impeding the discharge of duties by the board of supervisors or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the board of supervisors institute litigation at a people's court on its behalf. Where the supervisors violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the board of supervisors or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial departments of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company issuing shares publicly must also publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits into a statutory common reserve fund until the fund has reached 50% or more of the company's registered capital.

When the company's statutory common reserve fund is not sufficient to make up for its losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund under the foregoing requirements. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the capital reserve fund. The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

According to the Guidelines for the Articles of Association of Listed Companies, the Company may engage an accounting firm that meets the requirements of the Securities Law to audit its accounting statements, verify its net assets and provide other related consulting services for a period of one year, subject to renewal.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Guidelines for the Articles of Association of Listed Companies, amendments to the Articles of Association which have been approved by the shareholders' general meeting shall be submitted for the approval of a competent authority if such amendments are subject to its approval; if the amendments involve changes in the registration of the company, they shall be registered in accordance with the law. Where the amendments to the Articles of Association are required to be disclosed by laws and regulations, they shall be announced as required.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked according to law; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, the company's creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

According to the Measures for Overseas Issuance and Listing, a company shall file with the CSRC its for overseas issuance and listing. In the event of an initial public offering or listing, the issuer shall file with the CSRC within three working days after it has submitted the application documents. The exchange and cross-border flow of capital related to the overseas issuance and listing of a domestic enterprise shall comply with the national regulations on cross-border investment and financing, foreign exchange management and cross-border RMB management.

Pursuant to the Notice on the Administration of and Arrangements for the Filing of Overseas Issuance and Listing by Domestic Enterprises, for the domestic enterprises that have obtained the approval of the CSRC for their overseas public offering and listing (including additional issuance), they may continue to advance their overseas issuance and listing while the approval is in effect. If the overseas issuance and listing is not completed after the expiry of the validity period of the approval, it shall be filed as required.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law (2019 revision) (《證券法》(2019年修訂)) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. The merger by absorption means that one company takes over another one and the company being taken over shall be dissolved. The merger by consolidation means that at least two companies are merged into a new company, where the original companies shall be dissolved after their merger. A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancellation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

THE SECURITIES LAWS AND REGULATIONS OF THE PRC

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》), which provided the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law (《證券法》) took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities.

Article 224 of the Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, respectively. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle such case, unless the arbitration agreement is declared invalid.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會》) ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Centre ("HKIAC") in accordance with its Securities Arbitration Rules (the "Securities Arbitration Rules"). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin, Chongqing, Zhejiang, Hubei, Fujian, Shanxi, Jiangsu, Sichuan and Shandong.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000 and further supplemented on November 26, 2020 and May 19, 2021. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission ("SFC") issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission – Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (《中國證券監督管理委員會香港證券及期貨事務監察委員會聯合公告－預期實行滬港股票市場交易互聯互通機制試點時將需遵循的原則》) (hereinafter referred to as "Shanghai-Hong Kong Stock Connect") by the Shanghai Stock Exchange (hereinafter referred to as "SSE"), the Stock Exchange, China Securities Depository and Clearing Corporation Limited ("CSDCC") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Hong Kong Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Hong Kong Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by SFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and SFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link (《關於港股通下香港上市公司向境內原股東配售股份的備案規定》) which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such preemptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Hong Kong law does not prescribe minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. The registered capital of the Company shall be the amount of its share capital in issue. Any increase in our Company's registered capital must be approved by its shareholders' general meeting and be approved/filed (if applicable) by relevant PRC government and regulatory authority.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). Non-monetary assets used for capital contributions shall not be overvalued or undervalued. There is no such restriction on a company incorporated in Hong Kong under the Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Pursuant to the PRC laws, the Company's domestic shares denominated and subscribed in RMB may only be subscribed for and traded by the government or authorized government authorities, PRC legal persons, natural persons, qualified foreign institutional investors or qualified overseas strategic investors. The Company's overseas listed shares denominated in RMB and subscribed for in currencies other than RMB may only be subscribed for and traded by qualified domestic institutional investors in Hong Kong, Macau, Taiwan or any countries and regions other than the PRC. However, eligible institutional investors and individual investors may buy or sell such shares through Shenzhen-Hong Kong Stock Connect and Shanghai-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Guidance on the Articles of Association of Listed Companies stipulates that a company or its subsidiaries (including its affiliates) shall not provide any assistance in the form of gifts, advances, guarantees, compensation or loans to persons who purchase or intend to purchase shares of the company.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting. For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting. Under Hong Kong law, the quorum for a shareholders' meeting is at least two members, unless the articles of association specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to the articles of association, increase or decrease of registered capital, merger, division, dissolution or transformation of the form of the company, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Pursuant to the Guidelines on the Articles of Association of Listed Companies, issues such as the amounts of significant assets purchased or sold or guarantees provided by a company within one year exceeding 30% of its most recent audited total assets and an equity incentive scheme shall be approved by the shareholders' general meeting with a special resolution.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other classes of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of holders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Derivative Action by Minority Shareholders

Under Hong Kong company law, minority shareholders may start a derivative action against directors for their misfeasance committed against the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors for their misfeasance committed against the company in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the supervisors violate as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Guidelines on the Articles of Association of Listed Companies also provides for the other remedies for the breach of the duties to the company by the directors, supervisors and senior management.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order to give relief to the unfairly prejudicial conduct. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of company may request a people's court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Guidance on the Articles of Association of Listed Companies stipulates that the controlling shareholder and de facto controller of a company shall not use their connected relationship to impair the interests of the company. Anyone who violates the regulations and causes losses to the Company shall be held liable for compensation.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Guidelines on the Articles of Association of Listed Companies stipulates that supervisors shall abide by the laws, administrative regulations and the articles of association of the company, bear the duty of loyalty and diligence to the company, and abstain from taking advantage of their authority and positions to take bribes or other illegal income or misappropriating the assets of the company.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the PRC Company Law, directors, supervisors and members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the PRC Company Law and Hong Kong laws, dividends once declared will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC laws this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution of the company or the conversion of the corporate form has to be approved by shareholders present at the general meeting and holding two-thirds or more of the voting rights.

Mandatory Transfers

Under the PRC Company Law, a company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. According to the Guidelines on the Articles of Association of Listed Companies, a shareholder may sue another shareholder, or directors, supervisors, managers and other senior management members of the company, or even the company, and the company may sue its shareholders, directors, supervisors, managers and other senior management members.

Remedies of A Company

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Listing Rules, remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management) have been set out in the articles of association.

Dividends

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the PRC Company Law, no changes in the register of members resulting from the transfer of registered shares shall be made within 20 days prior to the convening of a general meeting or within 5 days prior to the reference date on which the Company decides to distribute dividends. However, if the law provides otherwise for the registration of changes in the register of shareholders of a listed company, such provisions shall prevail.

This Appendix contains a summary of the principal provisions of the Articles of Association. As the main purpose of this appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for potential investors. As stated in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display" in Appendix VII to the Prospectus, the full Chinese text of the Articles of Association is available for inspection.

SHARES

Issue of shares

Shares of the Company shall be issued in registered form.

Where the share capital of the Company include shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares. Where the share capital of the Company includes shares with different voting rights, the words "restricted voting" or"limited voting" shall appear in the designation of each class of shares other than the class of shares with the most favourable voting rights.

All shares issued by the Company shall be shares with par value, and each share shall have a par value of RMB1.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the same rights.

The issuance conditions and price per share of the same class in the same issue shall be the same; and every share subscribed for by any entity or individual shall be paid at the same price.

Where the Company issues shares to domestic and overseas investors, it shall perform filing procedures with the CSRC in accordance with the law.

INCREASE, DECREASE AND BUY-BACK OF SHARES

The Company may, based on its business and development needs and in accordance with the provisions of laws and regulations, increase its capital in the following ways, subject to separate resolutions of the general meeting:

(I) public offering of shares;

(II) non-public offering of shares;

(III) bonus issue of new shares to existing shareholders;

(IV) capitalisation of capital reserve;

(V) other means approved by laws, administrative regulations and the CSRC.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law and other relevant regulations and the Articles of Association.

The Company may not purchase its own shares. The Company may purchase its own share if:

(I) the Company reduces its registered capital;

(II) the Company merges with another company that holds shares in the Company;

(III) the shares are used for employee shareholding plans or for share incentives;

(IV) the Company is required to buy back shares of a shareholder who objects resolutions of the general meeting concerning merger or division of the Company;

(V) the shares are used for converting the convertible bonds issued by the Company;

(VI) such purchase is necessary to protect value of the Company and interests of shareholders.

The Company may buy-back its shares through open and centralised trading or in other methods permitted by laws, administrative regulations and the CSRC.

Where the Company buy-back its shares under the circumstances set out in items (III), (V) and (VI) of the preceding paragraph, such buy-back shall be conducted through open and centralised trading.

The Company shall obtain the prior approval of the general meeting in accordance with the Articles of Association for the buy-back of shares for the reasons set out in items (I) and (II) above. Where the Company purchases its own shares for the reasons set out in items (III), (V) and (VI) of the preceding paragraph, such purchase shall be subject to a resolution of a Board meeting attended by more than two-thirds of the directors.

Where laws, administrative regulations, departmental rules, the Articles of Association and the Hong Kong Stock Exchange have other provisions on the relevant matters involved in the aforesaid share buy-back, such provisions shall prevail.

TRANSFER OF SHARES

Shares of the Company may be transferred in accordance with the law.

Transfer of all H Shares shall be executed with a written transfer instrument in a general or common form or any other form accepted by the Board (including the standard transfer instrument or transfer forms as prescribed by the Hong Kong Stock Exchange from time to time). The transfer instrument may only be signed by hand or affixed with the seal of a company (if the transferor or transferee is a company). If the transferor or the transferee is a recognized clearing house or proxy thereof as defined by relevant provisions of the Hong Kong laws in force from time to time, the transfer form can be signed by hand or print. All transfer instruments shall be kept at the legal address of the Company or other place designated by the Board from time to time.

The Company shall not accept its own shares as the subject matter of pledge.

Shares of the Company held by the promoters shall not be transferred within one year after the establishment of the Company. Shares issued by the Company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of the Company are listed and traded on a stock exchange.

Directors, supervisors and senior management of the Company shall report to the Company their shareholdings in the Company and changes thereof, and shall not transfer more than twenty-five per cent of the total number of shares of the same class of the Company they hold each year during their term of office; and the shares they hold in the Company shall not be transferred within one year from the date on which the shares of the Company are listed and traded. None of the above persons shall transfer the shares of the Company held by them within half a year after they leave office.

If any shareholder, director, supervisor or senior management of the Company holding more than five percent of the shares of the Company sells shares or other securities of equity nature within six months after purchasing such shares, or buys back such shares within six months after selling such shares, the gains arising therefrom shall be owned by the Company and the Board of the Company shall forfeit such gains, except for a securities company holding more than five percent of the shares as a result of the purchase of the remaining shares after underwriting and other circumstances as prescribed by the CSRC.

The shares or other securities of equity nature held by directors, supervisors, senior management and natural person shareholders referred to in the preceding paragraph include the shares or other securities of equity nature held by their spouses, parents and children and held through others' accounts.

SHAREHOLDERS AND GENERAL MEETING

Shareholders

The Company shall establish a register of shareholders based on the evidence provided by the securities registration authority. The register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company. A shareholder shall enjoy rights and assume obligations according to the class of shares held. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Shareholders of the Company shall enjoy the following rights:

(I) to receive dividends and other distributions in proportion to the number of shares held;

(II) the right to request, convene, preside over, attend or appoint a proxy to attend general meetings and to exercise the corresponding voting rights in accordance with the law;

(III) the right to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries;

(IV) to transfer, give or pledge the shares held by them in accordance with the laws, relevant regulations of the securities regulatory authorities of the place where the shares of the Company are listed and the Articles of Association;

(V) to review the Articles of Association, the register of shareholders, counterfoils of corporate bonds, minutes of general meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;

(VI) to participate in the distribution of the remaining assets of the Company in accordance with the number of shares held in the event of the termination or liquidation of the Company;

(VII) to request the Company to buy back the shares of shareholders objecting to resolutions of the general meeting concerning merger or division of the Company;

(VIII) other rights conferred by laws, administrative regulations, departmental rules or the Articles of Association.

Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding paragraph shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. The Company shall provide such information at the request of the shareholders after verifying their identities.

If a resolution passed at the Company's general meeting or Board meeting violates the laws or administrative regulations, the shareholders shall have the right to initiate proceeding to the people's court to render the same invalid.

If the convening procedures and voting methods of the general meeting or the Board of the Company violate laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, the shareholders shall have the right to request the people's court to revoke such resolution within 60 days from the date of the resolution.

Where a director, supervisor or senior management violates laws, administrative regulations or the Articles of Association in the course of performing his/her duties and causes losses to the Company, the shareholders individually or jointly holding 1% or more of the Company's shares for more than 180 consecutive days shall have the right to request in writing the supervisory committee to initiate legal proceedings in the people's court; and where the supervisory committee violates laws or the Articles of Association in the course of performing its duties and causes losses to the Company, the shareholders shall have the right to request in writing the Board of Directors to initiate legal proceedings in the people's court.

If the supervisory committee or the Board of Directors refuses to institute litigation after receiving the written request of the shareholders as stipulated in the preceding paragraph, or fails to institute litigation within 30 days after receiving the request, or in case of emergency where failure to institute litigation immediately will cause irreparable damage to the Company's interests, the shareholders as stipulated in the preceding paragraph shall have the right to institute litigation directly at the People's Court in their own names for the benefit of the Company.

Where others infringe the legitimate rights and interests of the Company and cause losses to the Company, the preceding paragraph stipulates that shareholders may file a lawsuit with the people's court in accordance with the preceding two provisions.

If a director or senior management violates laws, administrative regulations or the Articles of Association, thereby damaging the interests of shareholders, the shareholders may initiate proceedings in the people's court.

Shareholders of the Company shall assume the following obligations:

(I) to abide by laws, administrative regulations and the Articles of Association;

(II) to pay subscription monies according to the number of shares subscribed for and the method of subscription;

(III) not to divest the shares unless required by the laws and regulations;

(IV) not to abuse their shareholders' rights to harm the interests of the Company or other shareholders; and not to abuse the independent legal person status of the Company and the limited liability of shareholders to harm the interests of any creditor of the Company;

(V) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and cause losses to the Company or other shareholders shall be liable for compensation in accordance with the law.

Where shareholders of the Company abuse the Company's position as an independent legal person and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company.

Where a shareholder holding 5% or more voting shares of the Company pledges any shares in his possession, he shall report the same to the Company in writing on the day on which he pledges his shares.

The controlling shareholder, de facto controllers, directors, supervisors and senior management of the Company shall not use their connected relationship to act in detriment to the interests of the Company. If they have violated the provision and caused damage to the Company, they shall be liable for such damages.

The controlling shareholder and the de facto controller of the Company shall have fiduciary duties towards the Company and its public shareholders. The controlling shareholder shall exercise its rights as a contributor in strict compliance with the law. The controlling shareholder shall not do harm to the lawful interests of the Company and its public shareholders through profit distribution, asset restructuring, foreign investment, appropriation of capital, offering loan guarantees and shall not make use of its controlling status against the interests of the Company and public shareholders.

In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange on which shares of the Company are listed, a controlling shareholder of the Company shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the shareholders of the Company:

(I) to relieve a Director or supervisor of his duty to act honestly in the best interests of the Company;

(II) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including (without limitation) opportunities beneficial to the Company;

(III) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of other person(s)) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights save for a restructuring of the Company submitted to the general meeting of shareholders for approval in accordance with the Articles of Association.

GENERAL MEETING

The general meeting is the organ of authority of the Company and shall exercise the following functions and powers:

(I) to decide on the operating policies and investment plans of the Company;

(II) to elect and remove Directors and supervisors (not being staff representatives), and to fix the remuneration of the relevant Directors and supervisors;

(III) to examine and approve the reports of the Board;

(IV) to consider and approve reports of the Supervisory Committee;

(V) to consider and approve the annual financial budgets and final accounts of the Company;

(VI) to examine and approve the profit distribution plans and loss recovery plans of the Company;

(VII) to adopt resolutions on any increment or reduction of registered capital of the Company;

(VIII) to resolve on the issue of corporate bonds;

(IX) to adopt resolutions on matters such as merger, division, dissolution, liquidation or change of corporate form of the Company;

(X) to amend the Articles of Association;

(XI) to resolve on the appointment and dismissal of the accounting firm of the Company;

(XII) to consider and approve the guarantees specified in the Articles of Association;

(XIII) to consider and approve the purchase or disposal of material assets within one year which exceed 30% of the latest audited total assets of the Company;

(XIV) to examine and approve the change of the purpose for raising funds;

(XV) to consider and approve share incentive plans and employee stock ownership plans;

(XVI) to consider and approve external donations of the Company exceeding 10% of the net profit of the previous year;

(XVII) to consider proposals raised by shareholders individually or jointly holding more than 3% of the Company's voting shares;

(XVIII) to consider other matters required by laws, administrative regulations, departmental rules, regulatory documents, relevant requirements of the securities regulatory authorities of the place where the shares of the Company are listed and the Articles of Association to be decided by the general meeting.

Subject to the laws, regulations and mandatory provisions of the listing rules of the place where the shares of the Company are listed, the general meeting may authorise or entrust the Board to handle the matters authorised or entrusted by it.

Unless the Company is in a crisis or other special circumstances, the Company shall not enter into any contract with any person other than a Director, supervisor, general manager or other senior management whereby the management of the whole or any substantial part of the business of the Company is to be handed over to such person without the approval of a special resolution at a general meeting.

General meetings held as either of annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months from the date of occurrence of any of the following circumstances:

(I) the number of Directors is less than the number required by the Company Law or less than two-thirds of the number required by the Articles of Association;

(II) the uncovered losses are in excess of one-third of the Company's total amount of paid-up share capital;

(III) shareholders individually or jointly holding 10% or more of the shares of the Company request to do so in writing (the number of shares held shall be calculated based on the number of shares held by the shareholders on the date of the request in writing);

(IV) the Board thinks necessary to convene such meeting;

(V) the Supervisory Committee proposes to convene such meeting;

(VI) more than half of all the independent non-executive Directors of the Company agree to propose to convene such meeting;

(VII) other circumstances stipulated by laws, administrative regulations and the Articles of Association.

PROPOSALS AND NOTICES OF GENERAL MEETINGS

When the Company convenes an annual general meeting, the Board, the Supervisory Committee and shareholders individually or jointly holding more than 3% of the shares of the Company shall have the right to submit proposals to the Company. The convener shall include the matters in the proposals which fall within the scope of duties of the general meeting into the agenda of the meeting.

Shareholders individually or jointly holding 3% or more of the Company's shares may submit ad hoc proposals in writing to the convener ten days before a general meeting is convened. The convener shall issue a supplementary notice of the general meeting and announce the contents of such extra proposal within two days after receipt thereof.

Save for provided in the preceding paragraph, the convener shall not amend the proposals set out in the notice of the general meeting or add new proposals after the notice of the general meeting is issued.

Written notice of the annual general meeting shall be given at least twenty-one days prior to the date of the meeting and written notice of the extraordinary general meeting shall be given fifteen days prior to the date of the meeting.

The calculation of the notice period shall not include the date of the meeting. Where relevant laws, regulations and securities regulatory authorities in the place where the shares of the Company are listed have other provisions, such provisions shall prevail.

HOLDING OF GENERAL MEETINGS

The general meeting shall be presided over and chaired by the Chairman of the Board of Directors. If the Chairman of the Board of Directors is unable or fails to perform his duties, the vice-chairman of the Board of Directors shall chair the meeting. If the vice-chairman of the Board of Directors is unable or fails to perform his duties, the general meeting shall be presided over by a director nominated by more than half of the directors.

The general meeting convened by the Board of Supervisors on its own initiative shall be presided over and chaired by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his duties, the general meeting shall be presided over by a supervisor nominated by more than half of the supervisors.

The general meeting convened by shareholders on their own initiative shall be presided over by the representative nominated by the convener.

If the chairperson of the general meeting breaches the procedural rules, which makes it unable to proceed the general meeting, subject to consents of more than half of shareholders with voting rights attending the general meeting, the general meeting may nominate a person to act as the chairperson of the meeting and such meeting may continue. If the shareholders are unable to elect a chairperson of the meeting, the shareholder (including its proxy) holding the most voting shares present at the meeting shall preside over the meeting.

VOTING AND RESOLUTIONS AT GENERAL MEETING

Resolutions of general meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution must be passed by votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the general meeting.

A special resolution must be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the general meeting.

The following matters shall be resolved by an ordinary resolution at a general meeting:

(I) work reports of the Board of Directors and the Board of Supervisors;

(II) profit distribution plans and loss recovery plans formulated by the Board of Directors;

(III) appointment and dismissal of members of the Board of Directors and members of the Board of Supervisors, their remuneration and manner of payment;

(IV) annual budgets proposal and final accounts proposal of the Company;

(V) annual report of the Company;

(VI) other matters other than those which are required by law, administrative regulation, the requirements of listing rules of exchange(s) where shares of the Company are listed or the Articles of Association to be adopted by special resolution.

The following matters shall be resolved by a special resolution at a general meeting:

(I) the increase or reduction in registered capital of the Company;

(II) the division, spin-off, merger, dissolution and liquidation of the Company;

(III) the amendment of the Articles of Association;

(IV) the Company's purchase or sale of any material assets or the amount of guarantee, individually or in aggregate, within one year, which exceeds 30% of the latest audited total assets of the Company;

(V) any equity-based incentive plan;

(VI) buy-back of the shares of the Company;

(VII) any other matter as required administrative regulation, the requirements of listing rules of exchange(s) where shares of the Company are listed or the Articles of Association and to be of a nature which may have a material impact on the Company and shall be adopted by a special resolution at the general meeting.

A shareholder (including proxy) when voting at a general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote, each share shall have one vote. When a poll is taken at a meeting, a shareholder (including his/her proxy) entitled to two or more votes need not cast all his/her votes in the same way.

The shares held by the Company have no voting rights, and that part of the shareholding is not counted as the total number of shares with voting rights held by shareholders attending the meeting.

If any shareholders should give up the voting right for certain resolutions or are restricted to be only able to vote for or against certain resolutions according to the applicable laws, regulations and the listing rules of the stock exchange where the Company's shares are listed, the votes by those shareholders or their proxies shall not be counted in the voting results in case of any violation of the relevant provisions or restriction.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at the general meeting and the general meeting may remove any Director before the expiration of his/her term of office.

A Director's term shall be three years, and may be renewed upon re-election when it expires.

A Director's term of office shall commence from the date when he/she takes office and end upon expiry of the term of current session of the Board of Directors. After expiry of a Director's term of office but before a new Director is elected and takes office, the retiring Director shall continue to perform his duty as a Director pursuant to laws, administrative regulations, department rules and the Articles of Association.

The manager or other senior management members may concurrently serve as Directors, provided that the total number of Directors who concurrently serve as the manager or other senior management members and the total number of Directors who are served by employee representatives shall not exceed half of the total Directors of the Company.

A Director may resign before expiry of his/her term of office, subject to submission of a written resignation report to the Board of Directors. The Board of Directors shall disclose such information within two days. If the number of the Company's Directors is less than the quorum as required by law due to a Director's resignation, such resigning Director shall continue to perform his duty as a Director pursuant to laws, administrative regulations, department rules and the Articles of Association until a new Director is elected and takes office.

Independent Non-Executive Directors

The Company has established a system of independent non-executive directors. Independent non-executive directors refer to directors who do not take up any position in the Company other than serving as directors and do not have any connection with the Company and its substantial shareholders (only provided under this section that substantial shareholders refer to shareholders who individually or jointly hold more than 5% of total voting shares of the Company) that is likely to affect their independent and objective judgment in compliance with the independent requirements of the listing rules where the shares of the Company are listed. Independent non-executive directors shall account for more than one-third of the members of the Board of Directors at least, in which shall include at least one financial or accounting professional.

Independent non-executive directors shall be appointed for a term of three years, which is renewable upon re-election. However, the term of office of an independent director shall not exceed a total of nine years, unless otherwise provided in relevant laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed.

If an independent non-executive director fails to meet the conditions of independence or other circumstance arises which makes it inappropriate for him or her to perform his or her duties and responsibilities as an independent non-executive director, thereby causing the failure of the Company to meet the requirements of the Articles of Association concerning the number of independent non-executive directors, the Company shall make up the number of independent non-executive directors in accordance with regulations.

Board of Directors

The Company shall have a Board of Directors, which is accountable to the general meeting. The Board of Directors shall be composed of 11 Directors, of which no less than three shall be independent non-executive Directors, accounting for at least one-third of the members of the Board of Directors.

The Board of Directors shall report to the general meeting and exercise the following powers:

(I) to convene general meetings and report its work to the general meeting;

(II) to implement the resolutions of general meetings;

(III) to formulate the Company's medium and long-term strategic development plans and to monitor and adjust the implementation thereof;

(IV) to decide on the Company's business goals, business plans and investment plans;

(V) to formulate the Company's preliminary and final annual financial budgets;

(VI) to formulate the Company's profit distribution proposal and loss recovery proposal;

(VII) to formulate proposals for the increase or reduction of the Company's registered capital and for the issuance of the Company's debentures or other securities and listing;

(VIII) to formulate plans for important mergers and acquisition of the shares of the Company, consolidation, division, dissolution or change of the form of the Company;

(IX) to determine, to the extent authorised by the general meeting, on such matters as the external investments, purchase or sale of assets, assets pledge, external guarantee, entrusted banking, connected transactions and external donations of the Company;

(X) to decide on the establishment and staffing of the relevant working body of the Board of the Directors and the internal management body of the Company;

(XI) to decide on appointment or dismissal of the Company's general manager, the secretary to the Board of Directors and other senior management, and decide on their remuneration, rewards and punishments; to decide on the appointment or dismissal of the deputy general manager, chief accountant, chief engineer, general counsel, secretary to the Board of Directors, assistant to the general manager and other senior management based on the nomination of the general manager, and decide on their remuneration, rewards and punishments;

(XII) to formulate the Company's basic management system;

(XIII) to formulate proposals for any amendment of the Articles of Association;

(XIV) to manage the information disclosure of the Company;

(XV) to propose to the general meeting for engagement or replacement of the accountancy firm that does auditing for the Company;

(XVI) to hear reporting from the Company's general manager and inspect the performance of the general manager; and

(XVII) to appoint and replace Directors and Supervisors who are not employee representatives of the wholly-owned or controlling subsidiaries of the Company, nominate candidates for senior management of such subsidiaries, and decide on matters relating to their remuneration; to nominate candidates for Directors, Supervisors and senior management of the subsidiaries of the Company;

(XVIII) to consider and approve the equity transfer of wholly-owned subsidiaries, controlling subsidiaries and joint-stock subsidiaries held by the Company;

(XIX) to authorise the chairman and the general manager of the Company to decide on material matters of the Company within the scope of authorisation;

(XX) to exercise any other powers conferred by the laws, regulations, the requirements of listing rules of exchange(s) where shares of the Company are listed, the general meeting and the Articles of Association.

In respect of the Board of Directors resolutions relating to matters specified above, except for those (VII), (VIII) and (XIII) which shall be passed by more than two-thirds of all Directors, the remaining resolutions may be passed by more than half of all Directors.

The Board of Directors shall explain to the general meeting when a registered accounting firm issues a non-standard audit opinion regarding the Company's financial report.

The Board of Directors shall formulate the rules of procedures of Board of Directors, which shall be approved by the general meeting.

The chairman of the Board of Directors is entitled to the following powers:

(I) to preside over general meetings and to convene and preside over board meetings;

(II) to supervise and check on the implementation of resolutions of the general meeting and the Board of Directors;

(III) to exercise other powers as conferred by the Board of Directors.

Meetings of the Board of Directors shall be classified into the regular meetings and extraordinary meetings. Regular meetings shall be convened at least four times every year by the Board of Directors. The meetings shall be convened by the chairman of the Board of Directors.

Notice of extraordinary meetings of the Board of Directors may be delivered by hand, e-mail or via facsimile. Deadline for serving the notices shall be fourteen days prior to the date of a regular meeting of the Board of Directors or five days before the date of an extraordinary meeting of the Board of Directors, which shall serve a written notice to all Directors, Supervisors, general manager and the secretary to the Board of Directors in principle. In case of emergency, if an extraordinary meeting of the Board of Directors needs to be convened as soon as possible, the notice of meeting may be sent by telephone or other verbal means at any time, however, the convener shall make explanations at the meeting and record the same in the minutes of the meeting.

Meetings of the Board of Directors shall be held only if more than half of the Directors are present. Resolutions of the Board of Directors shall be passed by more than half of all Directors.

Directors shall attend Meetings of the Board of Directors in person. If a Director is unable to attend a meeting for any reason, he/she may appoint another Director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his/her behalf. The proxy Director attending the meeting shall exercise the rights of the Director within the scope of authorisation. If a Director fails to attend a meeting of the Board of Directors and does not appoint a proxy to attend on his/her behalf, he/she shall be deemed to have waived his/her voting rights at such meeting.

Supervisors may attend meetings of the Board of Directors; if the general manager and the secretary to the Board of Directors do not concurrently serve as Directors, they shall attend meetings of the Board of Directors. If the convener considers necessary, he/she may notify other relevant persons to attend the meetings of the Board of Directors.

Votes at meetings of the Board of Directors held in person (including meetings held by videoconference) shall be held by disclosed ballot. If a director attends a meeting held in person by telephone conference or by way of other such communication equipment, so long as the directors attending the meeting in person can clearly hear what he says and communicate with him or her, all the directors in attendance shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the directors of their opinions at a meeting of the Board of Directors, votes may be held and resolutions adopted by means of correspondence, and such resolutions shall be signed by the directors in attendance. However, the regular meetings of the Board and the meetings for considering matters in which the Board considers substantial shareholders (the substantial shareholders in this section only refer to those shareholders who individually or jointly hold more than ten percent of the total voting shares of the Company) or Directors have a material conflict of interest and the appointment and dismissal of the secretary to the Board shall not be held by way of communication voting. A deadline shall be set for votes held by means of correspondence, and if a director fails to express his or her opinion by the specified deadline, he shall be deemed to abstain.

If a Director has connected relationship with the enterprise involved in the resolution of the Board meeting, he/she shall neither exercise his/her voting rights on such resolution, nor shall he/she exercise the voting rights on behalf of other Directors. Such Board meeting may be held as long as it is attended by more than half of the non-connected Directors. Resolutions of the Board meeting shall subject to approval by more than half of the non-connected Directors. If the number of non-connected Directors attending the meeting is less than three, the business shall be submitted to the general meeting for consideration.

The Board shall keep minutes of the resolutions on the businesses transacted at Board meetings. The attending Directors and the recorder shall sign the minutes. The minutes shall be kept for ten years. The Directors shall be responsible for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations or the Articles of Association, the Directors casting votes on the resolution shall be liable for any consequential loss of the Company. However, if it is proved that a Director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such Director may be exempt from such liability.

Special Committee of the Board of Directors

The Company's Board of Directors shall have the audit committee, and may relevant special committees such as the nomination committee and remuneration and appraisal committee. The special committees shall be responsible to the Board of Directors, and perform their duties according to the Articles of Association and the authorisation granted by the Board of Directors. The proposals shall be submitted to the Board of Directors for consideration and approval. All members of the special committees are composed of Directors, among which the number of independent non-executive Directors shall be the majority of the audit committee, nomination committee and remuneration and appraisal committee, and they shall act a s the chairman of the committees. The chairman of the audit committee shall be an accounting professional. The Board of Directors is responsible for formulating the working procedures of the special committees and regulating their operations.

Secretary to the Board of Directors

The Company shall have one secretary to the Board of Directors, who shall be engaged and dismissed by the Board of Directors. The secretary to the Board of Directors shall be a member of the senior management members of the Company and be accountable to the Company and the Board of Directors.

The secretary to the Company's Board of Directors shall be a natural person with the requisite professional knowledge and experience, and shall be appointed by the Board of Directors. His/her primary responsibilities are:

(I) to organise the preparation and submission of reports and documents issued by the Board of Directors and general meetings as required by competent authorities;

(II) to organise board meetings and general meetings, be responsible for recording of the meetings and keep meeting documents and records;

(III) to coordinate with the information disclosure issues;

(IV) to ensure persons entitled to obtain related records and documents of the Company timely obtain such records and documents;

(V) to perform other duties required by laws, regulations and the Articles of Association and required by the securities regulatory authorities of the place where the shares of the Company are listed.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one general manager, who shall be nominated by the chairman of the Board and appointed or dismissed by the Board of Directors. If necessary, there shall be a number of deputy general managers, one chief accountant, one chief engineer, one chief economist, one secretary to the Board, one general counsel and three assistants to general manager.

The term of office of the general manager and deputy general manager shall be three (3) years, renewable upon re-appointment.

Any person who holds administrative positions in the controlling shareholder of the Company other than as a Director or supervisor shall not serve as a senior management member of the Company.

The general manager shall be accountable to the Board of Directors and shall exercise the following functions and powers:

(I) to be in charge of the Company's production, operation and management, and to organise the implementation of the resolutions of the Board of Directors and report on works to the Board of Directors;

(II) to organise the implementation of the Company's annual business plan and investment proposals;

(III) to draft plans for the establishment of the Company's internal management structure;

(IV) to draft the Company's basic management system;

(V) to formulate specific rules and regulations for the Company;

(VI) to propose the appointment or dismissal by the Board of Directors of deputy general manager, chief accountant, chief engineer, chief economist, general counsel, assistant to general manager and other senior management members of the Company;

(VII) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;

(VIII) to review and approve the feasibility study report on production, operation, investment, renovation, infrastructure projects and scientific research and development within the annual plan of the Company; to decide on the use or arrangement of the Company's relevant funds and assets in accordance with the Company's annual plan;

(IX) to handle major emergencies of the Company;

(X) to decide and handle external affairs on behalf of the Company within the authorisation of the Board of Directors;

(XI) to handle all kinds of litigation, arbitration or mediation in relation to the Company;

(XII) to study and propose the Company's strategic planning and medium and long-term development plans;

(XIII) loans (comprehensive credit) within the budget approved by the Board of Directors shall be determined by the management and approved by the chairman; loans exceed the budget approved by the Board of Directors shall be reviewed by the management and submitted to the Board of Directors for approval;

(XIV) to propose a plan for the use of annual salary in total, which shall be implemented after discussion and approval;

(XV) prepare the Company's annual operating budget, investment budget and financial budget;

(XVI) other powers conferred by the Company's Articles of Association or the Board of Directors.

The general manager shall attend meetings of the Board of Directors; a general manager who is not a Director shall not have any voting rights at board meetings.

The general manager shall formulate working rules of the general manager, and shall be implemented after being approved by the Board of Directors.

Board of Supervisors

The Directors, general manager and other senior management members of the Company shall not act concurrently as supervisors.

Each supervisor shall serve for a term of three years, which term is renewable upon re-election upon expiry.

The Company shall have a Board of Supervisors. The Board of Supervisors shall be composed of three supervisors, including one employee representative supervisor, democratically elected at the employee representative meeting or otherwise of the Company. The Board of Supervisors shall have one chairman, who shall be elected by more than two-thirds of all the supervisors.

The Board of Supervisors shall be accountable to the general meeting, and shall exercise the following functions and powers in accordance with law:

(I) to examine regular reports prepared by the Board of Directors and propose written examination suggestions;

(II) to review the Company's financial position;

(III) to supervise the Directors and senior management members' acts in performing duties of the Company, propose a removal of any Director or senior officer in violation of any laws, administrative regulations, the Articles of Association or resolution adopted at the general meeting;

(IV) to demand any Director, general manager or senior officer who acts in a manner which is harmful to the Company's interest to rectify such behaviour;

(V) to propose to convene a shareholders' extraordinary general meeting, and to convene and preside over general meetings where the Board of Directors fails to perform its duty to do so as required by the Company Law;

(VI) to submit proposals to general meetings;

(VII) to initiate legal proceedings against any Director or senior officer according to Article 151 of the Company Law;

(VIII) to identify unusual operation of the Company and to engage an accountancy firm, a law firm or any professional organisation to investigate when necessary.

All reasonable fees incurred in the employment of professionals such as lawyers, certified public accountants or practicing auditors which are required by the Board of Supervisors in the exercise of its functions and powers shall be borne by the Company.

The meetings of the Board of Supervisors shall be convened at least once every six months and presided over and chaired by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his duties, such meeting shall be convened and presided over by a supervisor nominated by more than two-thirds of the supervisors.

The Board of Supervisors shall formulate procedural rules to be followed at meetings of the Board of Supervisors, specify the method for conducting business and the voting procedures of the Board of Supervisors, so as to ensure the working efficiency and scientific decision-making of the Board of Supervisors.

Votes at meeting of the Board of Supervisors shall be held by disclosed ballot and each supervisor shall have one vote. Resolutions of the Board of Supervisors shall be approved by the affirmative vote of at least two-thirds of the members of the Board of Supervisors.

The Board of Supervisors shall record all matters considered at the meeting into the meeting minutes. Participating supervisors shall sign the meeting minutes for confirmation. If a supervisor has an objection to the meeting minutes, he or she may give a written explanation thereof at the time of signing.

The minutes of meetings of the Board of Supervisors, together with the meeting notice, meeting materials, meeting sign-in register, the instruments of appointment of supervisor proxies, the sound recording of the meeting and the vote ballots shall serve as the Company's files and be kept by the office of the Board of Supervisors for a period of not less than ten years.

The Party Committee

The Party Committee of the Company shall consist of seven members, including one secretary and two deputy secretaries, each with a term of office of five years, and shall be elected in a timely manner upon expiry of the term. The Company shall insist on and improve the leadership system of mutual entry and cross appointment under which the qualified members of Party Committee of the Company leading group may enter the Board of Directors, Board of Supervisors and the management level through legal procedures, and qualified members of the Board of Directors, Board of Supervisors and the management level are appointed to the leadership team of the Party Committee of the Company in accordance with relevant regulations and procedures.

The secretary of the Party Committee and chairman of the Company shall generally be served by the same person, and the general manager of the Company shall serve the deputy secretary. At the same time, it shall have a full-time deputy secretary, who generally joins the Board and does not hold any position in the management, and is responsible for Party building.

The disciplinary committee of the Company shall have one secretary of the disciplinary committee and one deputy secretary of the disciplinary committee; under the dual leadership of the Party Committee of the Company and the superior discipline inspection committee, the Company assisted the Party Committee of the Company in promoting the comprehensive and strict governance of the Party, strengthened the of integrity for Party building, organised and coordinated anti-corruption work, and performed supervision over discipline enforcement and accountability according to work responsibilities.

The Party Committee of the Company shall ensure and supervise the implementation of the Party's and the State's directions in the Company, participate in the decision-making of major issues of the Company, implement the principles of letting the Party to manage the cadres and the talents, strengthen the supervision of the Company's leaders, lead the ideological and political work of the Company and the mass organisations such as the labour union and the Communist Youth League, and support the work of the employee representative congress.

The scope of the Party Committee's participation in the decision-making of major issues:

(I) The formulation and adjustment of the Company's development strategy, medium and long-term development plan, important business policies and reform plan.

(II) The formulation and modification of important matters such as the Company's asset restructuring, transfer of property rights, capital operation, suspension and transfer, as well as adjustment plans for external joint venture cooperation and internal organisation structure.

(III) The selection, assessment, management and supervision of the Company's middle and senior management personnel, the distribution of employee remuneration, benefits and welfare, labour protection, livelihood improvement and other important matters involving the vital interests of employees.

(IV) The Company's key work arrangements in respect of production safety, environmental protection, quality management and financial management, as well as the accountability for accidents (incidents).

(V) The determination and adjustment of the Company's annual business objectives, financial budgets and final accounts, annual investment plans and arrangements for major projects, operation of large-amount funds and other matters.

(VI) The formulation and revision of the Company's important operation and management system.

(VII) External guarantee, external donation, sponsorship, charity and other matters related to the Company's social responsibilities, and external relations such as enterprise-local coordination and co-construction.

(VIII) Other important matters that require the Party Committee of the Company to participate in decision-making.

Major procedures for the Party committee's participation in the decision-making process:

(I) Prior consideration by the Party committee. Research and discussion conducted by the Party committee are the preceding procedures before material matters are decided by the Board and the management, and material matters shall be decided by the Board and the management after the research and discussion conducted by the Party committee. If matters proposed to be decided by the Board and the management are not in compliance with the directional policies of the Party and national laws and regulations or may prejudice national and public interests or legitimate interests of the Company and its staff, the Party committee shall propose to revoke or defer discussion thereof. If the Party committee considers that other material matters are required to be decided by the Board and the management, such material matters may be proposed to the Board and the management;

(II) Communication before the meeting. Members of the Party committee who also serve as members of the Board and the management (especially the chairman or the General Manager) shall communicate with other members of the Board and the management regarding the relevant opinion and advice of the Party committee before formal submission of the resolutions to the Board or General Manager office;

(III) Expression during the meeting. Members of the Party committee who also serve as members of the Board and the management shall fully express the opinion and advice of the Party committee during the decision-making process of the Board and the management;

(IV) Report after the meeting. Members of the Party committee who also serve as members of the Board and the management shall report to the Party organisation in respect of the decisions of the Board and the management in a timely manner.

FINANCIAL AND ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION

The Company shall establish its financial and accounting system and internal audit system in accordance with the laws, administrative regulations and the requirements of the relevant departments of the State.

The Company shall prepare a financial report at the end of each fiscal year, which shall be audited by an accounting firm in accordance with the law.

The Company shall publish two financial reports in each fiscal year, which are the interim financial report to be published within 60 days after the end of the first six months of each fiscal year and the annual financial report to be published within 120 days after the end of the financial year.

The Board of Directors of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by law to be prepared by the Company.

The Company's financial reports shall be made available for shareholders' inspection at the Company 21 days before the date of every annual general meeting. Each shareholder of the Company is entitled to obtain the financial reports mentioned herein.

The Company shall send the aforesaid reports to each holder of overseas listed foreign shares by prepaid mail at the address registered in the register of shareholders not less than 21 days before the annual general meeting. Subject to the laws, administrative regulations and the listing rules of the place where the Company is listed, the Company may make an announcement of such reports (including publication on the Company's website).

The Company shall not establish account books other than the statutory account books. The assets of the Company shall not be deposited in any account opened in the name of any individual.

The Company is required to allocate 10% of its profits into its statutory reserve fund of the Company before distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Subject to a resolution of the general meeting, after allocation has been made to the Company's statutory surplus reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund.

After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to shareholders in proportion to their shareholdings, unless otherwise stipulated in the Articles of Association.

If a general meeting violates the provisions in the preceding paragraph and profits are distributed to the shareholders before the Company makes up losses or makes allocations to the statutory reserve fund, shareholders shall return the profits distributed in violation of the provisions to the Company.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

Reserve funds of the Company are used for recovering losses of the Company and expanding scale of operation of the Company or transfer them to its capital, but capital reserve fund shall not be used in this manner.

In the event that that Company transfers the reserve funds to its capital, the remaining balance of such reserve fund must not be less than 25% of the registered capital before this capitalisation.

The Company shall appoint receiving agents on behalf of the holders of overseas listed foreign shares to receive on behalf of such shareholders dividends declared and other monies owing by the Company in respect of such shares, and keep the same for payment to the relevant shareholders.

The receiving agents appointed by the Company shall satisfy the relevant requirements of the laws of the place and relevant regulations of the stock exchange where the Company's shares are listed.

The receiving agents appointed on behalf of holders of overseas-listed foreign shares listed in Hong Kong by the Company shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

After the profit distribution plan is resolved at the general meeting of the Company, the Board of the Company shall complete the distribution of dividends (or shares) within two months after the convening of the general meeting.

Cash dividends and other payments paid by the Company to holders of domestic shares shall be paid in RMB. Cash dividends and other payments paid by the Company to holders of overseas listed foreign shares shall be denominated and declared in RMB and paid in foreign currency. The foreign currency required for the Company to pay cash dividends and other payments to holders of overseas listed foreign shares and other holders of foreign shares shall be handled in accordance with the relevant provisions of foreign exchange administration of the PRC.

When distributing dividends to shareholders, the Company shall, in accordance with the provisions of the PRC tax laws, withhold and pay on behalf of shareholders the tax payable on dividend income based on the amount distributed.

The Company implements an internal audit system with full-time auditors to conduct internal audit and supervision on the Company's financial revenues and expenditures and economic activities.

The internal audit system of the Company and the duties of the auditors shall be implemented upon approval by the Board. The person in charge of audit shall be accountable and report to the Board.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall appoint an accounting firm that complies with the requirements of the Securities Law to audit the accounting statements, verify the net assets and provide other relevant consulting services for a term of one year and such accounting firm may be re-appointed.

The appointment of an accounting firm by the Company shall be subject to resolution at the general meeting, and the Board shall not appoint an accounting firm before a resolution is made at the general meeting.

The Company warrants that it provides true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information for the accounting firm it appoints and the Company shall not refuse to provide information, conceal information or provide false information.

The audit fees of an accounting firm shall be determined at the general meeting.

The appointment, dismissal or non-reappointment of an accounting firm shall be resolved at the general meeting.

Prior to the removal or the non-renewal of the appointment of an accounting firm by the Company, notice of such removal or non-renewal shall be given to the accounting firm concerned and such firm shall be entitled to make representation at the general meeting. Where the accounting firm resigns from its post, it shall make clear to the general meeting whether there has been any impropriety on the part of the Company.

MERGER, DIVISION, INCREASE AND DECREASE IN REGISTERED CAPITAL, DISSOLUTION AND LIQUIDATION OF THE COMPANY

Merger, Division, Capital Increase and Reduction

The merger of the Company may take the form of either merger by absorption or merger by consolidation. One company absorbing another company is merger by absorption, and the company being absorbed shall be dissolved. Merger of two or more companies through the establishment of a new company is a consolidation, and the companies being consolidated shall be dissolved.

In the event of merger of the Company, the parties to such merger shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days of the date of the Company's resolution for merger and shall publish an announcement in a newspaper designated by the CSRC and on the websites of the Company and the stock exchange within thirty days of the date of such resolution. A creditor has the right within thirty days of receipt of the notice from the Company or, in the case of creditor who does not receive such notice, within forty-five days of the date of announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt.

After merger, any rights in relation to debtors and any indebtedness of each of the merged parties shall be assumed by the Company which survives the merger or the newly established company.

Where there is a division of the Company, its assets shall be divided up accordingly.

In the event of division of the Company, the parties to such division shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days of the date of the Company's division resolution and shall publish an announcement in a newspaper designated by the CSRC and on the websites of the Company and the stock exchange within 30 days of the date of the Company's division resolution.

The debts of the Company prior to the division shall be assumed jointly and severally by the companies arising from the division, except for those which written agreement has been reached with the creditor in respect of repayment of the debts prior to the division.

The Company must prepare a balance sheet and an inventory list of its assets when it reduces its registered capital.

The Company shall notify its creditors within 10 days of the date of the Company's resolution for reduction of registered capital and shall publish an announcement in a newspaper within 30 days of the date of such resolution. A creditor has the right within 30 days of receipt of the notice from the Company or, in the case of creditor who does not receive such notice, within 45 days of the date of announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt.

The Company's registered capital must not, after the reduction in capital, be less than the minimum amount required by law.

The Company shall, in accordance with law, apply for change in its registration with the Company registration authority where a change in any item in its registration arises as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with law. Where a new company is established, the Company shall apply for registration thereof in accordance with law. Where the Company increases or decreases its registered capital, procedures for alteration of registration shall be handled at the company registration authority in accordance with the law.

Dissolution and Liquidation

The Company may be dissolved in any of the following circumstances:

(I) Where the term of its operations set down in the Articles of Association has expired or events of dissolution specified in the Articles of Association have occurred;

(II) Where the shareholders' general meeting has adopted a resolution for dissolution;

(III) Where dissolution is required due to merger or division of the Company;

(IV) Where the business license of the Company is revoked, or the Company is ordered to close down;

(V) Where the Company runs deep into difficulties in operation and management, its continuous existence may cause heavy losses to shareholders' interests, and such difficulties cannot be dealt with in other ways, the shareholders holding over ten percent votes of all shareholders' of the Company may apply to the people's court to dissolve the Company.

In the circumstance item (I) above, the Company may continue to exist by amending the Articles of Association.

Where the Articles of Association are amended in accordance with the preceding paragraph, the amendment shall be adopted by two-thirds or more shareholders attending the general meeting.

Where the Company is dissolved in accordance with the items (I), (IV) and (V) above, a liquidation committee shall be established within fifteen days upon occurrence of the reason for dissolution to carry out liquidation. The liquidation committee shall be composed of the persons determined at the board of Directors or shareholders' general meeting. In case no liquidation committee is established within the specified period to carry out liquidation, the creditor(s) may apply to the people's court to designate relevant persons to form a liquidation committee and carry out liquidation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment and shall publish an announcement in a newspaper within 60 days. The creditors shall declare their claims to the liquidation committee within 30 days of receipt of the notice from the Company or, in the case of creditor who does not receive such notice, within 45 days of the date of announcement. When declaring their claims, creditors shall explain the matters related to their claims and provide supporting materials. The liquidation committee shall register the claims.

During the period of declaration of claims, the liquidation committee shall not repay the creditors.

During the liquidation period, the liquidation committee shall exercise the following functions and powers;

(I) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(II) to notify the creditor(s) or to publish public announcements;

(III) to dispose of and liquidate any unfinished businesses of the Company;

(IV) to pay all outstanding taxes and taxes arising from the liquidation;

(V) to settle claims and debts;

(VI) to deal with the surplus assets remaining after the Company's debts have been repaid;

(VII) to represent the Company in any civil proceedings.

After it has sorted out the Company's assets and after it has prepared the balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a general meeting or to the people's court for confirmation.

Any surplus assets of the Company's remaining after paying for liquidation cost, staff's salary, social insurance, statutory compensation, taxes payable, and debts of the Company shall be distributed to its shareholders according to the proportion of shares held.

During the liquidation period, the Company remains in existence; however, it shall not commence any business activity irrelevant with liquidation. The Company's assets shall not be distributed to its shareholders prior to repaying debts in accordance with the foregoing provision.

After sorting out the Company's assets and preparing a balance sheet and an inventory of assets, the liquidation committee discovers that the Company's assets have insufficient to repay the Company's debts in full, the liquidation committee shall immediately apply to the people's court for a declaration of insolvency. After the Company is declared insolvent by a ruling of the people's court, the liquidation committee shall transfer all matters arising from the liquidation of the people's court.

Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of income and expenses received and made during the liquidation period and a final report, which shall be verified by a Chinese registered accountant and submitted to the general meeting or the people's court for confirmation. Within thirty days after the confirmation of the general meeting or the people's court, the liquidation committee shall submit the documents referred to in the preceding paragraph to the Company registration authority and apply for cancellation of registration of the Company, and publish a public announcement relating to the termination of the Company.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Company may amend the Articles of Association in accordance with the laws, administrative regulations and the Articles of Association.

In any of the following circumstances, the Company shall amend the Articles of Association:

(I) The Articles of Association is contradictory to any provision of the amended version of the Company Law or other applicable laws or administrative regulations;

(II) There is any change to the Company's situation and is inconsistent with any matter recorded in the Articles of Association;

(III) A general meeting adopts a resolution for amendment of the Articles of Association.

Unless otherwise provided in the Articles of Association, the following procedures shall be followed for amending the Articles of Association:

(I) the Board of Directors shall adopt resolutions in accordance with the Articles of Association, formulate proposals for amendments to the Articles of Association or submit proposals for amendments to the Articles of Association by shareholders;

(II) to inform the shareholders of the revised proposal and convene a general meeting for voting;

(III) the amendments to be submitted to the general meeting shall be approved by special resolution.

The Board of Directors shall amend the Articles of Association according to the resolution of the shareholders' general meeting for amendments hereof and the approval opinions of relevant competent authority.

NOTICE AND ANNOUNCEMENT

The Company's notices (the "notices" referred to herein shall include corporate communications and other written materials) shall be given or provided in one or more of the following ways, by:

(I) hand;

(II) post;

(III) email, facsimile or other electronic means or information carrier;

(IV) announcement;

(V) other means recognised by regulatory authorities of the place where the shares of the Company are listed or stated in the Articles of Association.

Unless otherwise specified in the Articles of Association, for notice issued by the Company to the holders of overseas-listed foreign-invested shares by way of announcement, the Company shall on the same day submit an electronic version to the Hong Kong Stock Exchange through the Hong Kong Stock Exchange electronic publishing system for immediate release on the website of the Hong Kong Stock Exchange in accordance with the rules of the listing place. The announcement shall also be published on the Company's website at the same time. In addition, the notice shall be delivered to each of the registered addresses as set forth in the register of shareholders of overseas-listed foreign-invested shares by personal delivery or postage paid mail subject to the listing requirement of the listing place so as to give the shareholders sufficient notice and time to exercise their rights or act in accordance with the terms of the notice.

Holders of the Company's overseas-listed foreign-invested shares may elect in writing to receive the corporate communication that the Company is required to send to shareholders either by electronic means or by post, and may also elect to receive either the English or Chinese version only, or both the English and Chinese versions. They shall have the right to change their choices as to the manner of receiving the same and the language at any time by reasonable prior written notice to the Company in accordance with applicable procedures.

If the listing rules of the place of listing require the Company to send, mail, distribute, issue, publish or otherwise provide relevant documents of the Company in both English and Chinese versions, the Company may, to the extent permitted by applicable laws and regulations and in accordance with applicable laws and regulations, (if a shareholder has so indicated) only send him or her the English version or Chinese version of documents if the Company has made appropriate arrangements to ascertain whether its shareholders wish to only receive the English version or the Chinese version of documents.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company, formerly known as Shanxi Industrial Equipment Installation Company* (山西省工業設備安裝公司), was registered in the PRC on November 20, 1989. On November 27, 2012, Shanxi Industrial Equipment Installation Company* (山西省工業設備安裝公司) reformed from a whole people-owned enterprise to a limited liabilities company and was renamed as Shanxi Industrial Equipment Installation Co., Ltd.* (山西省工業設備安裝有限公司). On May 5, 2017, our Company was renamed as Shanxi Industrial Equipment Installation Group Co., Ltd.* (山西省工業設備安裝集團有限公司). Further, on December 31, 2021, our Company reformed into a company limited by stock company and changed its name to Shanxi Installation Group Co., Ltd. (山西省安裝集團股份有限公司). Our registered office is located at No.8 Xinhua Road, Tanghuai Industrial Park, Shanxi Transformation and Comprehensive Reform Demonstration Zone, Shanxi Province, PRC.

Our Company has established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on April 4, 2022. Our Company has appointed Ms. Chan Sze Ting as its authorized representative under the Companies Ordinance for the acceptance of service of process and notices in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company is incorporated in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this prospectus.

2. Changes in share capital of our Company

There has been no alteration in our share capital within two years immediately preceding the date of this Prospectus.

Upon completion of the Global Offering, but without taking into account any exercise of the Over-allotment Option, our registered capital will increase to RMB1,333,334,000, comprising 1,000,000,000 Domestic Shares and 333,334,000 H Shares fully paid up, representing approximately 75% and 25% of our registered capital, respectively.

3. Shareholders' Resolutions

Pursuant to the general meeting held on March 2, 2022, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall be approximately 25% of the enlarged share capital of our Company upon completion of the Global Offering (in fulfillment of the lowest applicable public float requirement pursuant to the Listing Rules) and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued;

(c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on Listing Date; and

(d) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

4. Changes in the registered capital of our subsidiaries

The list of our subsidiaries as of June 30, 2023 is set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus. Save as disclosed below, there has been no alteration in the share capital of any of our principal subsidiaries within the two years immediately preceding the date of this Prospectus.

On March 14, 2022, Shan'an Bluesky issued 1,782,532 shares to our Company in a private placement, for a total consideration of RMB10,000,004.52. Upon completion of the aforementioned private placement, the share capital of Shan'an Bluesky increased from RMB100,000,000 to RMB101,782,532.

5. Restriction on Share Buy-backs

For details of the restrictions on share bought back by our Company, please refer to "Appendix III – Taxation and Foreign Exchange" and "Appendix V – Summary of Articles of Association" in this Prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contract (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus, which is or may be material:

(a) the agreement dated December 29, 2021 entered into between our Company and Shanxi Exquisite Construction Workforce Company Limited* (山西精匠建築勞務有限公司) ("**Shanxi Exquisite**") in relation to the transfer by our Company of 31% equity interest in Shanxi Yu'an Hengchuang Construction Engineering Company Limited* (山西譽安恒創建築工程有限公司) to Shanxi Exquisite at nil consideration;

(b) Non-competition Agreement;

(c) Indemnity Agreement;

(d) the cornerstone investment agreement dated November 6, 2023 entered into among our Company, Mingyang Smart Energy Group Co., Ltd.* (明陽智慧能源集團股份公司), Shanxi Securities International Capital Limited, Shanxi Securities International Limited and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investor" in this prospectus; and

(e) Hong Kong Underwriting Agreement.

2. Our Material Intellectual Property Rights

(a) Registered Trademark

As of the Latest Practicable Date, we have registered the following trademark, which we consider to be material to our business:

No.	Trademark	Place of registration	Trademark Number	Applicant	Class	Application date	Validity Period (number of years)
1	山西建投 SHANXI CIG 山西安装	Hong Kong	305924070	our Company	37	2022.04.01	10

(b) Licensed trademarks

As of the Latest Practicable Date, Shanxi CIG has licensed the following trademarks to our Company for the validity period of the trademarks:

No.	Trademark	Place of Registration	Registered Owner	Registration No.	Class
1		PRC	Shanxi CIG	25682716	6
2		PRC	Shanxi CIG	25668956	7
3		PRC	Shanxi CIG	25686205	19
4		PRC	Shanxi CIG	3285217	37
5		PRC	Shanxi CIG	25669403	42
6	山西建投 SHANXI CIG	Hong Kong	Shanxi CIG	305917195	37

Patents

As of the Latest Practicable Date, our Group had registered over 850 patents and we set out below the details of patents which are material to our Group's business:

No.	Patent Name	Patent Type	Registered Owner	Patent Number	Application Date	Validity Period (number of years)
1.	Cable laying method and laying parts	Invention	Our Company	ZL201510740623.7	2015.11.05	20
2.	A wall automatic slotting device	Invention	Our Company	ZL201710280773.3	2017.04.26	20
3.	A fixing device for pipeline welding in building construction	Invention	Our Company	ZL201610597656.5	2016.07.27	20
4.	A waste heat utilization device for the first heating station	Invention	Our Company	ZL201711302828.2	2017.12.11	20

No.	Patent Name	Patent Type	Registered Owner	Patent Number	Application Date	Validity Period (number of years)
5.	An energy-saving and environmentally friendly waste heat utilization device	Invention	Our Company	ZL201711302835.2	2017.12.11	20
6.	A heating device based on heat exchange technology of relay energy station	Invention	Our Company	ZL201711302829.7	2017.12.11	20
7.	A multifunctional steel bar trimming device for fan foundation construction	Invention	Our Company	ZL201810495873.2	2018.05.22	20
8.	A heat exchange device for relay energy station	Invention	Our Company	ZL201711302833.3	2017.12.11	20
9.	Vacuum tube well dewatering system	Invention	Our Company	ZL201510560294.8	2015.09.07	20
10.	A wind turbine base adjustment device	Invention	Our Company	ZL201810006720.7	2018.01.04	20
11.	A dust-reducing foundation pit excavation equipment with high water resource utilization rate	Invention	Our Company	ZL201810496484.1	2018.05.22	20
12.	A kind of anti-seismic thermal insulation heating pipeline and preparation method thereof	Invention	Our Company	ZL201810294570.4	2018.04.04	20
13.	Construction technology of a large-scale double-pump unit assembly device	Invention	Our Company	ZL201811286683.6	2018.10.31	20
14.	A settlement monitoring device that is convenient for fixing a fan and a method of using the same	Invention	Our Company	ZL201810494963.X	2018.5.22	20
15.	A device that converts exhaust steam into condensed water based on refrigeration	Invention	Our Company	ZL201810294581.2	2018.04.04	20
16.	An industrial ultra-high temperature heat pump unit	Invention	Our Company Shan'an Bluesky	ZL201910073580.X	2019.01.25	20
17.	A water source heat pump	Invention	Our Company Shan'an Bluesky	ZL201810746672.5	2018.07.09	20
18.	A cast-in-place floor thickness controller	Invention	Our Company	ZL201811265417.5	2018.10.29	20

No.	Patent Name	Patent Type	Registered Owner	Patent Number	Application Date	Validity Period (number of years)
19.	A system and method for adjusting the pressure of a heating pipeline	Invention	Our Company	ZL201810296786.4	2018.04.04	20
20.	A portable movable scaffold	Invention	Our Company	ZL201810455734.7	2018.05.14	20
21.	A construction waste crushing device	Invention	Our Company Shan'an Lide	ZL201810721397.1	2018.07.04	20
22.	A ternary mixed working fluid for heat supply and heat pump	Invention	Our Company Taiyuan University of Technology	ZL201910429355.5	2019.05.22	20
23.	A large-capacity gradient temperature-increasing multi-stage coupled heat pump heating system	Invention	Our Company	ZL201911335570.5	2019.12.23	20
24.	A ternary mixed working fluid for heat supply and heat pump in a distributed energy system	Invention	Our Company Taiyuan University of Technology	ZL201910429900.0	2019.05.22	20
25.	A mounting frame for a steel structure workshop	Invention	Our Company	ZL201911120758.8	2019.11.15	20
26.	An installation structure for industrial equipment	Invention	Our Company	ZL201911120885.8	2019.11.15	20
27.	A construction waste picking and recycling device	Invention	Our Company Shan'an Lide	ZL201611215927.2	2017.01.19	20
28.	A construction waste crushing and screening device	Invention	Our Company Shan'an Lide	ZL202010317187.3	2020.04.21	20
29.	A construction waste treatment and screening equipment	Invention	Our Company Shan'an Lide	ZL201910776213.6	2019.08.22	20
30.	A rain recycling system for sponge city	Invention	Our Company	ZL202011512035.5	2020.12.29	20
31.	Hybrid heat source heat supply device and method in building	Invention	Our Company	ZL202110066037.4	2021.01.19	20
32.	Prefabricated assembled comprehensive pipe gallery and mounting method	Invention	Our Company	ZL202011390354.3	2020.12.03	20
33.	Gateway device for automatically identifying communication bus and protocol based on small signal analysis	Invention	Our Company	ZL202011005115.1	2020.09.23	20

No.	Patent Name	Patent Type	Registered Owner	Patent Number	Application Date	Validity Period (number of years)
34.	Sewage treatment device for buildings	Invention	Our Company	ZL202010999281.1	2020.09.22	20
35.	Fabricated prefabricated comprehensive pipe gallery and mounting method	Invention	Our Company	ZL202011394288.7	2020.12.03	20
36.	Safety protection device for building construction	Invention	Our Company	ZL202011268514.7	2020.11.13	20
37.	Hoisting device for boiler installation	Invention	Our Company	ZL202210947027.6	2022.08.09	20
38.	Opening aligning clamp for boiler pipeline	Invention	Our Company	ZL202210928990.X	2022.08.03	20
39.	Tower tube climbing device for wind driven generator	Invention	Our Company	ZL202210758763.7	2022.06.30	20
40.	Steel structure formwork for building	Invention	Our Company	ZL202210748210.3	2022.06.29	20
41.	Anti-back-tilting device of tower crane	Invention	Our Company	ZL202210939704.X	2022.08.05	20
42.	Solar cell module and manufacturing method	Invention	Our Company	ZL202210978049.9	2022.08.16	20
43.	Fabricated solar photovoltaic power generation support and construction method	Invention	Our Company	ZL202210978039.5	2022.08.16	20
44.	Comprehensive treatment system for domestic garbage and domestic sewage	Invention	Our Company	ZL202011421579.0	2020.12.08	20
45.	System and method for generating power through waste incineration	Invention	Our Company	ZL202011114866.7	2020.10.19	20
46.	Butt welding tool for heat supply pipeline	Invention	Our Company	ZL202210448807.6	2022.04.27	20
47.	Water supply and drainage pipeline structure for building construction	Invention	Our Company	ZL202210489857.9	2022.05.07	20
48.	Building steel structural part hoisting clamp	Invention	Our Company	ZL202110155067.2	2021.02.04	20
49.	Prefabricated overhead hoist for wall panels	Invention	Our Company	ZL202111247644.7	2021.10.26	20
50.	Solar heat collection and photovoltaic power generation system	Invention	Our Company	ZL202211679725.9	2022.12.27	20

No.	Patent Name	Patent Type	Registered Owner	Patent Number	Application Date	Validity Period (number of years)
51.	Cleaning system for waste residues from waste-incineration power generation	Invention	Our Company	ZL202011474773.5	2020.12.14	20
52.	Prefabricated building wall and prefabricated building	Invention	Our Company	ZL202111556049.1	2021.12.18	20
53.	Instrumental anti-dropping device	Invention	Our Company	ZL201710178156.2	2017.03.23	20
54.	Photovoltaic power generation panel installation device designed for mountainous regions and its application guidelines	Invention	Our Company	ZL202310195207.8	2023.03.03	20
55.	BIM-based digital-analog separated and fabricated construction management system for engine room	Invention	Our Company	ZL202210810609.X	2022.07.11	20
56.	Centralized harmless treatment system for rural wastewater	Invention	Our Company	ZL202111323884.0	2021.11.10	20
57.	Filter device for sewage from pumped storage power station	Invention	Our Company	ZL202310259307.2	2023.03.17	20
58.	Hoisting structure and equipment for base of wind power generating units	Invention	Our Company	ZL202310210796.2	2023.03.07	20
59.	Separation device for prevention from overheat for electric power projects	Invention	Our Company	ZL202310315501.8	2023.03.29	20
60.	DCPS multi-specialty construction method for complex underground pipe network	Invention	Our Company	ZL202010513438.5	2020.06.08	20
61.	Novel photovoltaic base bracket designed for hill slope and its application guidelines	Invention	Our Company	ZL202310289765.0	2023.03.23	20
62.	Tension measuring device for construction erection of grid circuit	Invention	Our Company	ZL202310348513.0	2023.04.04	20

No.	Patent Name	Patent Type	Registered Owner	Patent Number	Application Date	Validity Period (number of years)
63.	Earthing device designed for photovoltaic power stations in mountainous regions and its application guidelines	Invention	Our Company	ZL202310311751.4	2023.03.28	20
64.	A support structure for building water supply and drainage pipelines	Invention	Our Company	ZL202310510410.X	2023.05.08	20
65.	A scaffolding device for sinking well construction	Invention	Our Company	ZL202310669447.7	2023.06.07	20
66.	A lifting equipment for chemical pipeline installation	Invention	Our Company	ZL202310748979.X	2023.06.25	20
67.	A Fire Protection Device for the Main Transformer of a Booster Station	Invention	Our Company	ZL202211470311.5	2022.11.23	20
68.	A lifting device for laying concrete sewage pipes	Invention	Our Company	ZL202310750697.3	2023.06.25	20
69.	Reinforced structure of garbage bin foundation	Invention	Our Company	ZL202010183418.6	2020.03.16	20

Software copyrights

As of the Latest Practicable Date, our Group was the registered proprietor of the following software copyrights:

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
1.	BIM project integrated management platform construction management system V1.0	Our Company Beijing Zhiheng Yongxin Technology Development Co., Ltd. (北京智恒永信科技開發有限公司) Nanjing Rongguang Software Technology Co., Ltd. (南京戎光軟件科技有限公司)	2017SR243826	2016.12.01	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
2.	BIM project integrated management platform cloud management system V1.0	Our Company Beijing Zhiheng Yongxin Technology Development Co., Ltd. (北京智恒永信科技開發有限公司) Nanjing Rongguang Software Technology Co., Ltd. (南京戎光軟件科技有限公司)	2017SR243829	2016.12.01	December 31 of the 50th year after the first publication date
3.	BIM project integrated management revit platform V1.0	Our Company Beijing Zhiheng Yongxin Technology Development Co., Ltd. (北京智恒永信科技開發有限公司) Nanjing Rongguang Software Technology Co., Ltd. (南京戎光軟件科技有限公司)	2017SR243821	2016.12.01	December 31 of the 50th year after the first publication date
4.	Centralized procurement and supply platform system V1.0	Our Company	2017SR329154	2017.04.06	December 31 of the 50th year after the first publication date
5.	Integrated project management information system (Android version) V1.0	Our Company	2017SR353420	2017.04.06	December 31 of the 50th year after the first publication date
6.	Integrated project management information system (PC version) V1.5	Our Company	2017SR337643	2017.04.06	December 31 of the 50th year after the first publication date
7.	Smart Water Data Collection Platform V1.0	Our Company	2019SR1007091	2019.07.29	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
8.	Smart construction site CNC integration platform V1.0	Our Company	2019SR1005919	2019.07.29	December 31 of the 50th year after the first publication date
9.	Project-level BIM integrated application platform V1.0	Our Company	2019SR1005941	2019.07.29	December 31 of the 50th year after the first publication date
10.	Building installation BIM + enterprise-level information management platform V4.0	Our Company	2019SR1007073	2019.06.29	December 31 of the 50th year after the first publication date
11.	Smart Fire Supervision Cloud Platform System V1.05	Our Company	2019SR1235773	2019.07.23	December 31 of the 50th year after the first publication date
12.	Fire water system intelligent acquisition system V1.1	Our Company	2019SR1249027	2019.04.23	December 31 of the 50th year after the first publication date
13.	Electrical fire safety monitoring system V1.03	Our Company	2019SR1447596	2019.11.12	December 31 of the 50th year after the first publication date
14.	Natural gas deacidification temperature monitoring and control system V1.0	Ningyang Energy	2023SR0508316	2022.09.01	December 31 of the 50th year after the first publication date
15.	Automatic patrol circuit fault accurate analysis and location system V1.0	Ningyang Energy	2023SR0275085	2022.09.07	December 31 of the 50th year after the first publication date
16.	Heat Exchange Station Automatic Control System V1.0	Our Company Shan'an Bluesky	2020SR0354347	2019.08.20	December 31 of the 50th year after the first publication date
17.	Intelligent heating remote monitoring automation control system V1.0	Our Company Shan'an Bluesky	2020SR0355234	2019.10.23	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
18.	Heating integrated production scheduling management system V1.0	Our Company Shan'an Bluesky	2020SR0356102	2019.10.28	December 31 of the 50th year after the first publication date
19.	Intelligent heat pipe network hydraulic balance analysis system V1.0	Our Company Shan'an Bluesky	2020SR0354378	2020.01.15	December 31 of the 50th year after the first publication date
20.	Heating pipe network intelligent inspection integrated system V1.0	Our Company Shan'an Bluesky	2020SR0355923	2020.02.18	December 31 of the 50th year after the first publication date
21.	Heating equipment operation monitoring abnormal alarm system V1.0	Our Company Shan'an Bluesky Zhang Zhiqiang (張志強)	2020SR0705244	Not yet published	December 31 of the 50th year after the first publication date
22.	IoT-based heating equipment control and management system V1.0	Our Company Shan'an Bluesky Cui Jun (崔峻)	2020SR0702719	Not yet published	December 31 of the 50th year after the first publication date
23.	Heating station heat exchange monitoring system V1.0	Our Company Shan'an Bluesky Zhao Chenyang (趙晨陽)	2020SR0697913	Not yet published	December 31 of the 50th year after the first publication date
24.	Heating energy consumption data analysis software V1.0	Our Company Shan'an Bluesky Meng Jinying (孟金英)	2020SR0697998	Not yet published	December 31 of the 50th year after the first publication date
25.	Combustible gas fire extinguishing system intelligent monitoring system V1.03	Our Company	2020SR0521369	2019.11.20	December 31 of the 50th year after the first publication date
26.	Fire automatic alarm Internet of things remote monitoring system V1.01	Our Company	2020SR0521807	2019.09.24	December 31 of the 50th year after the first publication date
27.	Fire intelligent operation and maintenance management platform V2.01	Our Company	2020SR0521967	2019.08.20	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
28.	Fire wind system Internet of things automatic monitoring system V1.02	Our Company	2020SR0521657	2019.10.29	December 31 of the 50th year after the first publication date
29.	Revit family file information analysis service system V1.0	Our Company	2020SR0946213	Not yet published	December 31 of the 50th year after the first publication date
30.	BIM+3DGIS Information Management Cloud Platform V1.0	Our Company	2020SR0949891	Not yet published	December 31 of the 50th year after the first publication date
31.	BIM model based on GIS transcoding preprocessing system V1.0	Our Company	2020SR0949834	Not yet published	December 31 of the 50th year after the first publication date
32.	BIM+3DGIS operation and maintenance management platform female V1.0	Our Company	2020SR0946080	Not yet published	December 31 of the 50th year after the first publication date
33.	BIM+AIOT Construction Management and Control Platform V1.0	Our Company	2020SR0946087	Not yet published	December 31 of the 50th year after the first publication date
34.	Shan'an BIM+ Smart Site Management Platform V1.0	Our Company	2020SR0944213	Not yet published	December 31 of the 50th year after the first publication date
35.	Construction waste collection and transportation information processing system V1.0	Shan'an Lide Our Company	2020SR0559043	2019.11.18	December 31 of the 50th year after the first publication date
36.	Food waste degradation equipment control system V1.0	Shan'an Lide Our Company	2020SR0558977	2019.10.16	December 31 of the 50th year after the first publication date
37.	Food waste intelligent management and control platform V1.0	Shan'an Lide Our Company	2020SR0556670	2019.11.10	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
38.	Industrial Solid Waste Comprehensive Utilization Management System V1.0	Shan'an Lide Our Company	2020SR0556550	2019.12.20	December 31 of the 50th year after the first publication date
39.	Food waste collection and transportation scheduling management system V1.0	Shan'an Lide Our Company	2020SR0551352	2019.10.30	December 31 of the 50th year after the first publication date
40.	Solid Waste Supervision Information Platform V1.0	Shan'an Lide Our Company	2020SR0551233	2019.12.27	December 31 of the 50th year after the first publication date
41.	Construction waste combined forming control software V1.0	Shan'an Lide Our Company	2020SR0551588	2019.11.29	December 31 of the 50th year after the first publication date
42.	Shan'an Fire Cloud Fire Internet of Things Remote Monitoring Platform V1.0	Our Company	2020SR0873010	2020.02.24	December 31 of the 50th year after the first publication date
43.	BIM collaborative management and control system for subway projects V1.0	Our Company Liang Bo (梁波) Chai Xinyuan (柴新元)	2021SR1626241	2021.06.18	December 31 of the 50th year after the first publication date
44.	Construction Digital Delivery System V1.0	Our Company Liang Bo (梁波) Li Cai (李財)	2021SR1626251	2021.07.16	December 31 of the 50th year after the first publication date
45.	Smart Energy Management and Control System V1.0	Our Company Liu Xiangdong (劉向東) Liu Jianfeng (劉劍峰)	2021SR1626239	2021.05.24	December 31 of the 50th year after the first publication date
46.	Power plant efficient air extraction heat exchange work system V1.0	Our Company Shan'an Bluesky Wang Gang (王剛)	2021SR1217426	2021.06.18	December 31 of the 50th year after the first publication date
47.	Power plant heating metering and monitoring management system V1.0	Our Company Shan'an Bluesky Meng Jinying (孟金英)	2021SR1217427	2021.06.18	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
48.	Heating system control software V1.0	Our Company Shan'an Bluesky Zhang Zhiqiang (張志強)	2021SR1222610	2021.06.18	December 31 of the 50th year after the first publication date
49.	Efficient management system based on regional energy utilization V1.0	Our Company Shan'an Bluesky Zhao Chenyang (趙晨陽)	2021SR1217500	2021.06.18	December 31 of the 50th year after the first publication date
50.	BIM task publishing system V1.0	The Company	2022SR0069214	Not yet published	December 31 of the 50th year after the completion date
51.	Shan'an Project construction comprehensive control platform V1.0	The Company REN Rui WANG Jianjun	2022SR0175052	2021.05.12	December 31 of the 50th year after the first publication date
52.	Smart heating remote control information software V1.0	The Company Liulin Shan'an Bluesky Heating Company Limited* (柳林山安藍天熱力有限公司) ("**Liulin Shan'an**") Zhang Zhiqiang (張志強)	2022SR0417264	2021.11.08	December 31 of the 50th year after the first publication date
53.	Smart heating station centralized management system V1.0	The Company Liulin Shan'an Yang Yingjie (楊英傑)	2022SR0417263	2021.12.22	December 31 of the 50th year after the first publication date
54.	Smart heating temperature monitoring information software V1.0	The Company Liulin Shan'an Chen Yaguo (陳亞國)	2022SR0922634	2021.09.08	December 31 of the 50th year after the first publication date
55.	Heat exchange station operation management system V1.0	The Company Liulin Shan'an Ding Hao (丁浩)	2022SR0417233	2021.07.20	December 31 of the 50th year after the first publication date
56.	Intelligent heating control service management platform V1.0	The Company Shan'an Bluesky	2022SR1196182	2022.07.14	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
57.	Smart heating information service platform V1.0	The Company Shan'an Bluesky	2022SR1196237	2022.07.14	December 31 of the 50th year after the first publication date
58.	Smart heating equipment commissioning control system V1.0	Our Company Shan'an Bluesky	2022SR1196240	2022.07.14	December 31 of the 50th year after the first publication date
59.	Smart heating operation and maintenance supervision system	Our Company Shan'an Bluesky	2022SR1196239	2022.07.14	December 31 of the 50th year after the first publication date
60.	Multi-energy and complementary energy-based comprehensive utilization optimization modeling software V1.10	Our Company	2022SR1311132	2022.05.30	December 31 of the 50th year after the first publication date
61.	Smart energy conservation optimization algorithm software for construction V2.03	Our Company	2022SR1323602	2022.06.30	December 31 of the 50th year after the first publication date
62.	BIM-based construction waste management software V1.0	Shan'an Lide	2019SR0437746	2018.12.05	December 31 of the 50th year after the first publication date
63.	MMAS-based garbage truck path-planning system V1.0	Shan'an Lide	2019SR0436806	2018.08.13	December 31 of the 50th year after the first publication date
64.	Shan'an Lide intelligent dynamic garbage volume dispatching system for environmental sanitation vehicles V1.0	Shan'an Lide	2019SR0436067	2018.06.07	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
65.	Shan'an Lide smart garbage transfer vehicles scheduling optimization software V1.0	Shan'an Lide	2019SR0439935	2018.11.22	December 31 of the 50th year after the first publication date
66.	Smart garbage classification service software V1.0	Shan'an Lide	2021SR0475881	2020.12.26	December 31 of the 50th year after the first publication date
67.	Garbage classification guide service platform V1.0	Shan'an Lide	2021SR0475880	2020.12.26	December 31 of the 50th year after the first publication date
68.	Garbage classification information service software V1.0	Shan'an Lide	2021SR0475879	2020.12.26	December 31 of the 50th year after the first publication date
69.	Garbage classification intelligent recycling service platform V1.0	Shan'an Lide	2021SR0475876	2020.12.26	December 31 of the 50th year after the first publication date
70.	Domestic waste classification and management control system V1.0	Shan'an Lide	2021SR0476050	2020.12.26	December 31 of the 50th year after the first publication date
71.	Solar power heating temperature range control and management software V1.0	Shan'an Maode	2021SR0123711	2020.12.08	December 31 of the 50th year after the first publication date
72.	Big data intelligent distributed energy supervisory control and data acquisition system V1.0	Shan'an Maode	2021SR0123987	2020.12.08	December 31 of the 50th year after the first publication date
73.	Calculation and analysis software for solar power assisted central heating V1.0	Shan'an Maode	2021SR0123712	2020.12.08	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
74.	Unattended monitoring system based on public electric room V1.0	Shan'an Maode	2021SR0123774	2020.12.08	December 31 of the 50th year after the first publication date
75.	Distributed energy monitoring system V1.0	Shan'an Maode	2021SR0123988	2020.12.08	December 31 of the 50th year after the first publication date
76.	Sewage treatment monitoring platform V1.0	Shan'an Biquan	2019SR0501161	Not yet published	December 31 of the 50th year after the first publication date
77.	Intelligent operation system for sewage treatment V1.0	Shan'an Biquan	2019SR0501108	Not yet published	December 31 of the 50th year after the first publication date
78.	Sewage monitoring system V1.0	Shan'an Biquan	2019SR0501171	Not yet published	December 31 of the 50th year after the first publication date
79.	Smart operation management platform for sewage treatment V1.0	Shan'an Biquan	2022SR0968599	Not yet published	December 31 of the 50th year after the first publication date
80.	Production cost analysis system for sewage treatment V1.0	Shan'an Biquan	2022SR1203953	Not yet published	December 31 of the 50th year after the first publication date
81.	Sewage treatment operation data management system V1.0	Shan'an Biquan	2022SR1203952	Not yet published	December 31 of the 50th year after the first publication date
82.	Power management system of photovoltaic power station V1.0	Gaoping Xinshi Yangtian Solar Power Company Limited (高平市鑫時陽田光伏發電有限公司) ("**Xinshi Yangtian**")	2021SR0123023	2020.12.08	December 31 of the 50th year after the first publication date

No.	Software	Registered Proprietor	Registration Number	First Publication Date	Validation Period
83.	Photovoltaic power generation control technology control software V1.0	Xinshi Yangtian	2021SR0126580	2020.12.08	December 31 of the 50th year after the first publication date
84.	Photovoltaic power station power information management software V1.0	Xinshi Yangtian	2021SR0126579	2020.12.08	December 31 of the 50th year after the first publication date
85.	Online monitoring software for photovoltaic power generation equipment V1.0	Xinshi Yangtian	2021SR0126578	2020.12.08	December 31 of the 50th year after the first publication date
86.	Intelligent monitoring platform for photovoltaic power station V1.0	Xinshi Yangtian	2021SR0127605	2020.12.08	December 31 of the 50th year after the first publication date

Photographic works copyrights

As of the Latest Practicable Date, our Group was the registered proprietor of the following photographic works copyrights:

No.	Name	Registered Proprietor	Registration Number	Date of Completion	Validation Period
1.	Cartoon images “Xiao Shan” and “Xiao An” of Shanxi CIG Installation Group	Our Company	Guozuodengzi-2020-I-01144670	2019.09.10	December 31 of the 50th year after the first publication date

Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names in the PRC:

Domain name	Registered proprietor	Date of registration	Date of expiration
sxaz.com.cn	Our Company	2004.05.15	2028.05.14
sxaz-fire.cn	Our Company	2020.06.19	2025.06.19
sxazbq.cn	Shan'an Biquan	2023.03.27	2026.03.27

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

1. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws of regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

2. Remuneration of Directors and Supervisors

For the three years ended December 31, 2022 and the six months ended June 30, 2023, our Company paid aggregate remuneration of approximately RMB2.6 million, RMB2.1 million, RMB5.2 million and RMB1.2 million to the Directors, respectively, and RMB3.5 million, RMB2.7 million, RMB6.0 million and RMB1.6 million to the Supervisors, respectively. For details of the remuneration of Directors and Supervisors, see Note 9 to the Accountants' Report.

Save as disclosed in the Accountants' Report, no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of the three years ended December 31, 2022 and the six months ended June 30, 2023.

Under the current arrangements, it is expected that the Directors and Supervisors of our Company will be entitled to receive remuneration of approximately RMB2.7 million and RMB0.6 million for the year ending December 31, 2023 from our Company.

D. DISCLOSURE OF INTERESTS

1. Disclosure of Interests of Directors and Supervisors

Immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are listed on the Stock Exchange.

As of the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of our associated corporations.

2. Disclosure of Interests of Substantial Shareholders

Save as disclosed in "Substantial Shareholders" in this prospectus, our Directors are not aware of any person (other than our Director or chief executive of our Company) who will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

3. Disclaimers

Save as disclosed in the sections headed "Business" and "Substantial Shareholders" in this prospectus and the paragraph headed "C. Further Information about Directors and Supervisors" and "D. Disclosure of Interests" in this appendix:

(a) none of our Directors or chief executive has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;

(c) none of our Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business; and

(d) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

E. OTHER INFORMATION

1. Estate Duty

The PRC currently does not impose any estate duty.

2. Litigation

Save as disclosed in the section headed "Business – Legal and Regulatory Compliance – Legal Proceedings" of this prospectus, as of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Tax and Other Indemnity

Shanxi CIG has entered into an Indemnity Agreement in favour of our Company (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) to provide indemnities in accordance with the Indemnity Agreement, in respect of, among other things, any taxation resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject on or before the Listing as well as any fines, penalties, claims, costs, expenses, losses, indebtedness, damages and other liabilities resulting from or in connection with non-compliance set forth in the section headed "Business – Legal and Regulatory Compliance" to which any member of our Group may suffer.

4. Joint Sponsors

Huatai Financial Holdings (Hong Kong) Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. Shanxi Securities International Capital Limited is considered as not to be independent under Rule 3A.07(9) of the Listing Rules.

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, all the H Shares to be issued as mentioned in this prospectus.

Pursuant to the engagement letters entered into between our Company and the Joint Sponsors, we have agreed to pay the Joint Sponsors a total fee of HK$4.8 million to act as the sponsors of our Company in connection with the proposed listing on the Stock Exchange.

5. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

6. Promoters

Save as disclosed in the section headed "History, Development and Corporate Structure – Corporate Development" of this prospectus, within the three years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualifications of experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus, are as follows:

Name	**Qualification**
Huatai Financial Holdings (Hong Kong) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities as defined under the SFO
Shanxi Securities International Capital Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants
Jia Yuan Law Offices	PRC legal advisor
Shanxi Hua Ju Law Firm	PRC legal advisor
Holding Redlich	Australia legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

8. Consents of experts

Each of the parties named in paragraph 7 above has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report(s) and/or letter(s) and/or opinion(s) and the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.3 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in "Appendix I – Accountants' Report – 50. Related Party Transactions" in this prospectus.

12. Miscellaneous

Save as disclosed in the sections headed "History, Development and Corporate Structure", "Business", "Financial Information" and "Underwriting" in this prospectus and the paragraph headed "A. Further Information about our Company" in this appendix:

(a) within the three years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our H Shares to be issued in connection with the Global Offering, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) the written consents referred to in "Statutory and General Information – E. Other Information – 8. Consents of Experts" in Appendix VI to this prospectus; and

(c) a copy of the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI to this prospectus.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's own website (www.sxaz.com.cn) for a period of time for 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the audited consolidated financial statements of our Group for each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023;

(c) the accountants' report from Grant Thornton Hong Kong Limited in respect of the consolidated financial information of our Group for each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the text of which is set forth in Appendix I to this prospectus;

(d) the report from Grant Thornton Hong Kong Limited in respect of the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;

(e) the industry report prepared by Frost & Sullivan;

(f) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI to this prospectus;

(g) the written consents referred to in the paragraph headed "Statutory and General Information – E. Other Information – 8. Consents of Experts" in Appendix VI to this prospectus;

(h) the service contracts referred to in "Statutory and General Information – C. Further Information about Our Directors and Supervisors – 1. Particulars of Directors' and Supervisors' Contracts" in Appendix VI to this prospectus;

(i) the legal opinion issued by Jia Yuan Law Offices, in respect of, among other things, the general matters and property interests of our Group;

(j) the legal opinions issued by Shanxi Hua Ju Law Firm, in respect of, certain compliance matters of our Group;

(k) the letters of advice issued by Holding Redlich, in respect of issues with our Australia project; and

(l) the PRC Company Law, the Securities Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations.

山西建投
SHANXI CIG
山西安装