

---

## BUSINESS

---

### 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.

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 comprehensive ranges of services, from (i) design and consulting, (ii) investment and construction, (iii) building construction, to (iv) operation and maintenance. As of June 30, 2023, we have the following qualifications for construction contracting:

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

### OUR VISION

We are determined to become a competitive construction service provider in China.

“Competitive” represents having an agile market expansion ability, a good quality product and service provision ability, a social resource integration ability, a complete whole industry chain operation ability and an advanced technology and digital assurance ability.

---

## BUSINESS

---

### OUR STRENGTHS

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

#### **We are a construction service provider with a mission.**

According to Frost & Sullivan, we are one of the pioneers in 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, effectively obtain personnel, machinery, equipment, material location information, time information, trajectory information, etc., 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 装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. There is also a huge room for development in the application of urban underground pipe gallery engineering. 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 outstanding performance in construction’s quality, and safety control. By upholding the business philosophy of expanding the scale of principal business and diversifying income streams, we work to improve the “four-in-one” whole industry chain model by building on the construction segment. We seek

---

## BUSINESS

---

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. Our Company has successively undertaken a large number of projects in electromechanical, chemical, metallurgy, power, municipal, housing construction and other industries by leveraging its all-rounded construction qualifications since establishment. We have made the first step to become a high 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 high-quality project completion, safety production and continuous development have earned us numerous awards.

- In 2022, we were awarded the ARE-QP award by the Asian Network for Quality (ANQ).
- 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.
- We were awarded the National Quality Benchmark Construction Enterprise for our experience in implementing the TQM-based iPS high-quality development model and according to Frost & Sullivan, became the only construction contracting company to be awarded the National Quality Benchmark in 2020.
- Meanwhile, in the past, we have been awarded the followings for our construction quality: two National Quality Engineering Gold Awards (國家優質工程金獎); 14 Luban Awards – the highest honor awarded by the China Construction Industry Association; 11 National Quality Engineering Awards (國家優質工程獎); 21 China Installation Stars (中國安裝之星) and others.

---

## BUSINESS

---

- We won two Tien-yow Jeme Civil Engineering Prize of China (中國土木工程詹天佑獎) and 18 provincial Technology Progress Awards.
- In terms of safety control, we were awarded the title of Enterprise (Unit) for Standardization of Safety Production in China’s Safety and Construction Industry in 2021. Our Blue Valley Project, Jinzhong Industrial Park Project (Phase I), Yuci City Wanghu Project, Xiangyang City Xuanyi Road Construction Project, and Photovoltaic Silicon Material Project were rated as Safety Production Standardization Projects in China Safety Industry and Construction Industry in 2021.

For further details please see “Business – Awards, Honors And Recognition”.

Our strong position and reputable track record in the target markets can bring us great advantages in retaining current customers and capturing new business opportunities, which is extremely important to our day-to-day business operations and future business development.

**We have established our position in the industry with independent research and development technology, and we benefit from the national policy of Shanxi synergistic development and thriving national economic and social power.**

We firmly believe that independent research and development ability is an important part of our Company’s core competitiveness. We have developed corresponding key technologies in various fields. We have one Research Institute specializing in BIM information technology, one 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. Accordingly, according to Frost & Sullivan, we are able to provide comprehensive 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 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.

## BUSINESS

As of June 30, 2023, we have successfully conducted research for 4 national and 199 provincial construction process methodologies, possessed more than 60 material invention patents and 700 utility new model patents and one design patent in China, while we had one trademark in Hong Kong. Meanwhile, 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. Thanks to our 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 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. We used low-energy cascade heating technology and a large temperature difference heating system; according to Frost & Sullivan, we developed the first SC (steel-concrete) integrated building technology system in Shanxi Province, which has been successfully applied in several projects; we adopted multi-energy complementary integrated energy utilization technology in the energy supply smart energy island project of “Xiaohe New City” to achieve clean, environmentally friendly and effective utilization of green energy. 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

## BUSINESS

No.	Project	Project Location	New Energy Technology Content	Award/Recognition
3	Puxian Kecheng Town 50MW Wind Power Field Project	Puxian 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 35 mms, 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 high-quality building construction contracting services.

As an engineering enterprise in Shanxi Province, 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

---

## BUSINESS

---

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. It is expected that this strategy will promote the economic and social development of Shanxi Province.

In addition, China’s economy continues to maintain strong growth. According to Frost & Sullivan, the CAGR of nominal GDP will reach 6.8% from 2023 to 2027. The Chinese government has continued to accelerate urbanization and the development of urban-rural integration. It is expected that China’s urbanization rate will reach 70.7% by 2025. Save as disclosed above, Chinese government relaxed population policy to enhance birth rate in May 2021, and highlighted to improve the efficiency of national logistic and the sustainable development of economically underdeveloped areas. It is anticipated that the demand for infrastructure and public transportation, as well as electricity, will continue to grow in the near future, and it is expected that the specialized industrial construction and specialized auxiliary construction industry will continue to benefit from relevant economic and social development trend and policies.

**We possess specialized business advantages. Especially, under the overall trend of “Carbon Emission Peak and Carbon Neutrality”, we precisely focus our transformation on fields such as green energy conservation and new energy, achieving the strategic goal of whole industry chain high-quality transformative development, contributing greatly to improving the environment.**

Low-carbon development is the common goal and directive of global development efforts. In 2021, “Carbon Emissions Peak and Carbon Neutrality” was written into government work reports for the first time, upgrading it to a national strategy. Being one of the three “energy-hungry users” alongside the industrial industry and transportation, implementing green construction carries an important meaning for achieving “Dual Carbon” in the construction industry. We leverage the enterprise-as-entities effect to explore new models of high-quality development for the entire value chain. We preemptively decided to comprehensively transform and upgrade development thoughts based on the four axes of industry chain extension, focusing on professional field, business model development, and effective management measures. In addition, through a system that’s based on organizational model, led by business model development, and assured by technological capabilities, we strive to build a “design consultation, investment construction, building construction, operation and maintenance” industry business model, focusing on eco-friendly fields such as clean heating, new energy, solid waste disposal and water environment management, promoting the industrializing of buildings, forming a new layout for transformation development.

---

## BUSINESS

---

In recent years, we strived to develop new energy programs. 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 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 outstandingly 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 6 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 spans across 110 administrative villages and has a significant energy-conservation effect, and carries an



---

## BUSINESS

---

important meaning to local energy structure adjustment, promoting energy conservation and improving air environment. Not only that, 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. Our constructors overcame the rough mountain roads, summer rainstorms and tight equipment supply and successfully handed the project over, and received the China Power Quality Engineering award.

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 the distinguishable asset 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 extensive 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 extensive experience and superior technology 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 stated in its “Fourteenth Five-Year Plan” the focus for green development, pointing out that green production and green life will be widely adopted to allow carbon emission to reach peak and then decline steadily, and the new energy industry and related projects will be promoted. Shanxi Province is the first pilot province for energy revolutionary integrated reform in China, 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, and 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

---

## BUSINESS

---

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 outstanding contributions to achieving the goal of “Carbon Emission Peak and Carbon Neutrality”.

**With comprehensive qualification coverage and design ability, as well as exquisite upstream and downstream resources collaboration capabilities and stable partnership with suppliers and subcontractors, we can continuously obtain high-quality project authorization**

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. We possess one National Equities Exchange and Quotations listed subsidiary, two Grade A Design Institute, one Research Institute, four high-tech subsidiaries, one provincial technology center and seven regional branches in Beijing, East China, South China, Central China, Southwest China, Northwest China and Northeast China. 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 also have extensive qualifications for construction contracting, covering the vast majority of construction categories. As of June 30, 2023, 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
- Four Second Grade Qualifications of General Construction Contracting
- 18 First Grade Qualifications of Specialized Construction Contracting
- Three Second Grade Qualifications of Specialized Construction Contracting

---

## BUSINESS

---

As China’s construction contracting industry and engineering design consulting industry are strictly regulated, the relevant qualifications fully certify 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 immense 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 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 comprehensive and integrated one-stop project management services. According to Frost & Sullivan, such vertical integration in construction projects comes as a distinguishable asset 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 extensive qualification, 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

---

## BUSINESS

---

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 professions 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 comprehensive 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 talents pool from post-1960s to post-2000s 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 comprehensive 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.

---

## BUSINESS

---

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, extensive 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 comprehensive service capabilities for continuous customer satisfaction. We believe that informatization is a tool to consolidate basic management, activate comprehensive 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 a comprehensive 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 extensive experience have enabled us to successfully complete several high-quality construction projects, 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 comprehensive 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.

---

## BUSINESS

---

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

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 auxiliary 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 high-quality specialized industrial construction and specialized auxiliary construction, and has developed as one of the most trusted brands in the industry. In the course of our 70 years of development, we have formed a corporate culture of “building our foundation with strict attitude and cultivating competitive and cooperation atmosphere with a centralized value creation determination (嚴實築基, 執中競上)”. With a strict and serious attitude and the spirit of seeking truth from facts, we strengthen operation and management foundation, guide the formalization, institutionalization and standardization of the group, and then extend the industrial chain, broaden the market space and lay a foundation for future development; meanwhile, we have built a highly integrated management foundation, adhered to value creation as the center, formed a balanced development pattern and maintained a competitive upward development trend.

In the course of our 70 years of development, the development of our corporate culture has experienced five phases, “Germination”, “Foundation”, “Development”, “Maturity” and “Sublimation”, in general. The phase of Germination started from the 1950s to the 1980s, when construction elites from the four corners of the world gather to undertake the historic mission of revitalizing heavy industry in new China. Subsequently, the unique “melting pot culture” was born, forming “the dedication to serve the nation single-heartedly as well as being scrupulously fair and unselfish with the public”. The phase of Foundation started from the 1980s to the 1990s, when we faced the new challenges of the market economy, actively seized opportunities to develop our operations, and formed the “spirit of responsibility to accept orders in danger without bringing shame on our mission”. The phase of Development started from the 1990s to the early 21st century, when we refined our corporate mission to create a comfortable and beautiful working and living environment by leveraging science and technology as well as first-class production capacity at high speed and of high quality, forming the “spirit of striving for nonstop self-improvement as well as advancement without fear” in this phase. The phase of Maturity started from 2012 to 2016, when we established a complete corporate culture system and formed “the spirit of artisan seeking excellence and perfection”, with our corporate objective being: contributing high-quality products to society, seeking development for our corporate as well as bringing benefits to our staff in this phase. The phase of Sublimation started from 2016 to present, when we implemented the corporate culture standards of SCIG Group, combined the development reality of our own, built the

---

## BUSINESS

---

“four-in-one” whole industry chain layout, and formed the “spirit to revolutionize ourselves without confining ourselves”, with our corporate mission being: delivering products and create the future.

In recent years, we adhered to the core values of “honesty, pragmatism and perseverance” as well as the quality philosophies of “concentration and focusing on making high-quality products”. We persistently established various quality and refined projects whilst expanding our corporate brand influence, social reputation and customer loyalty, achieving a steady incline for our corporate status in the industry and a rapid climb in the group market development revenue, ultimately forming the three-colored brands of “Red, Blue and Green” which possesses both the features of the industry and the characteristics of Shan’an. The three-colored brands, which are “Party Building Red” led by the “Star Engine” party brand, “Professional Blue” based on “domestically renowned and industry-leading+” professional brand, and “Transformation Green” extended by our transforming brand “focusing on energy revolution”. The three-colored brands resonated and facilitated one another, effectively enriching the corporate brand connotation and greatly uplift the corporate’s industry popularity, social reputation and customer loyalty. Amongst these colors, our “Star Engine” was based on the “Red Star Spirit” that was inherited by the corporation for more than 60 years. It combined the five key party building tasks of mechanism, organization, talent, innovation and style into a pentagram formation, with all five tasks interconnected and mutually facilitating, forming a strong in-vivo power source that drove corporate party building and high-quality progression of various tasks. Our “Professional Blue” aimed to build a blue “domestically renowned and industry-leading+” professional brand, focused on various professional fields, cultivated management teams, accumulated construction experience, innovated technical methods, improved construction strength and engineering quality, forged core competitiveness in professional fields, promoted market development, conducted customer maintenance and accumulated advantages. Our “Transformation Green” implemented new development concepts, adhered to green development, undertook the era mission of energy revolution, focused on clean heating, distributed energy, solid waste disposal, sponge city construction and created a group of transformation platform companies to promote reform and transformation as well as energy revolution.

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. We are committed to practicing the corporate values of “integrity and pragmatism, unyielding perseverance (誠信務實, 鍥而不捨)”, adhering to the corporate mission of “dedicating high-quality works and creating bright future (奉獻精品, 開創未來)”, adhering to the principle of “honesty-centered, integrity-mattered (誠信為本, 操守為重)”, and providing customers with customer-centered and high-quality services. With high-quality project results 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.

---

## BUSINESS

---

We focus on providing high-quality 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. Through safety inspection, we reduce the occurrence of safety incidents and ensure the safe operation of all employees. 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 high-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 high-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 high-quality works and creating bright future”.**

Our management team has comprehensive 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.



---

## BUSINESS

---

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. Under the code of conduct of “Teamwork And Cooperation (同心同德、團結合作)”, we have firmly gathered a large number of professionals, maintained the stability of middle and senior management, constituting the Company’s strong market competitiveness. 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 high-quality 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 overseas markets such as countries around 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

---

## BUSINESS

---

believe that would enables 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 in China and overseas 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 comprehensively 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 high-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 [REDACTED]% (or [REDACTED]) of our [REDACTED] will be used to finance new energy projects. For further details, see “Future Plans and Use of [REDACTED]”.

---

## BUSINESS

---

### **Responding to the supply-side structural reform of the construction industry, and improving our comprehensive 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 comprehensive 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 comprehensive 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 [REDACTED]% (or [REDACTED]), 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 [REDACTED]”.

### **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

---

## BUSINESS

---

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 [REDACTED]% (or [REDACTED]) of our [REDACTED] will be used to finance new energy projects, and approximately [REDACTED]% (or [REDACTED]) of our [REDACTED] 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 [REDACTED]” for more details.

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

Our comprehensive 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 high-quality and full-life cycle services, enabling us to maintain a good reputation regarding to high-quality projects, 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.

---

## BUSINESS

---

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 comprehensive 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”. During the “14th Five-Year Plan”, we target to realize that overseas business contributes 10% share out of total business volume, and improve our comprehensive 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 Southeast Asia and South Asia, with an aim to improve our overseas business capability in full scale. During the Track Record Period, we undertook the supply and installation of wind turbines for the first wind power project in Bangladesh, according 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 high-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 high-quality 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

---

## BUSINESS

---

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 (上海轨道交通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

## BUSINESS

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:

<b>Specialized Industrial Construction</b>	<b>Specialized Auxiliary Construction</b>	<b>Other Construction</b>	<b>Non-Construction</b>
<ul style="list-style-type: none"><li>– Power engineering</li><li>– Petrochemical engineering</li><li>– Metallurgical engineering</li><li>– Water conservancy and hydropower engineering</li><li>– Urban rail transit engineering</li></ul>	<ul style="list-style-type: none"><li>– Standardized workshop engineering</li><li>– Urban heating engineering</li><li>– Water Supply engineering</li><li>– Drainage engineering</li><li>– Gas engineering</li><li>– Others</li></ul>	<ul style="list-style-type: none"><li>– Residential buildings</li><li>– Office buildings</li><li>– Commercial buildings</li><li>– SECH buildings</li></ul>	<ul style="list-style-type: none"><li>– Sales of LNG</li><li>– Provision of urban heating technical services</li><li>– Operations of PPP projects</li><li>– Trading</li><li>– Others</li></ul>

## BUSINESS

During the Track Record Period, we generated the majority of our construction contracting revenue from construction projects 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. At the same time, we actively respond to the call of the “Belt and Road Initiative” and intend to expand our business to West Asia, South Asia, Southeast Asia, Oceania, Africa and other countries.

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
		(%)		(%)		(%)		(%)		(%)
<b>Specialized industrial construction</b>	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
<b>Specialized auxiliary construction</b>	2,639,530	26.0	3,118,317	23.5	2,091,063	16.3	1,111,367	19.3	921,500	17.6
<b>Other construction</b>	1,360,536	13.4	2,087,334	15.7	1,896,597	14.8	908,957	15.8	765,526	14.6
<b>Non-construction</b>	726,915	7.2	1,107,815	8.3	1,266,030	9.8	540,558	9.5	628,436	11.9
<b>Total:</b>	<u>10,148,620</u>	<u>100</u>	<u>13,278,369</u>	<u>100</u>	<u>12,844,822</u>	<u>100</u>	<u>5,747,933</u>	<u>100</u>	<u>5,248,033</u>	<u>100</u>

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



## 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,			For the six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
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:	<u>8,556,186</u>	<u>11,667,174</u>	<u>11,345,512</u>	<u>5,143,603</u>	<u>4,428,148</u>
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:	<u>1,013,724</u>	<u>721,861</u>	<u>470,434</u>	<u>181,227</u>	<u>322,921</u>
Non-construction income (excluding PPP operating fee income and interest income)	<u>578,710</u>	<u>889,334</u>	<u>1,028,876</u>	<u>423,103</u>	<u>496,964</u>
<b>Total:</b>	<u><u>10,148,620</u></u>	<u><u>13,278,369</u></u>	<u><u>12,844,822</u></u>	<u><u>5,747,933</u></u>	<u><u>5,248,033</u></u>

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

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

---

## BUSINESS

---

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.

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. 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

---

## BUSINESS

---

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.

---

## BUSINESS

---

### *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.

BUSINESS

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 <sup>(Note 1)</sup> (Month) <sup>(Note 3)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	2023			
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	May 2019	Dec 2023	55	176,071	30,355	37,213	1,553,114	99.2%	1,532,110	12,535
2. Project SIC-1	Dai County Xinhuaqing Energy Development Co., Ltd.* (代縣新華能源開發有限公司)	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	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.

BUSINESS

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	2023				
3. Project SIC-11	Jingle County Xinifeng Energy Development Co., Ltd. (晉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%	-	-
4. Project SIC-12	Yangchun Xiangdian New Energy Co., Ltd.* (陽春市新電新能源有限公司)	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%	-	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

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

BUSINESS

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor)	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>		
										2020	2021	2022	2023						
6. PPP Project of Comprehensive Renovation Engineering of Femei Urban Section of Xinjiang County	Government authority of Xinjiang County	Yincheng, 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	22,260	1,883	377,628	100.0%	9,581	433,517	23,226	-

BUSINESS

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022				
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%	-	-



BUSINESS

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	2023				
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
9. Project SIC-6	Private enterprise	Qijiang, Yunnan	Power engineering	EPC project	Main contractor	A wind farm construction project of 110KV booster station and connection of outgoing lines, road works for bus, box transformers, collector lines and off-site transportation roads	Dec 2017	Dec 2020	36	78,668	-	-	338,088	100.0%	-	338,088	

**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor)	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022				
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:**

- 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.
- 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.
- 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.

**BUSINESS**

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 <sup>(Note 1)</sup> (Month/ <sup>(Note 3)</sup> )	Contract term <sup>(Note 3)</sup> (Month/ <sup>(Note 3)</sup> )	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>		
										2020	2021	2022	For the six months ended June 30, 2023			Total revenue (RMB'000) <sup>(Note 2)</sup>	2023	2024
1. Project SIC-19	Jishan County Guochang New Energy Co., Ltd.* (俊山縣廣新新能源有限公司)	Yuncheng, Shanxi	Power engineering	EPC/PPP	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

**BUSINESS**

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage %	Total revenue (RMB'000) <sup>(Note 2)</sup>	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	2023				
4. Project SIC-12	Yangshun Xiangdian New Energy Co., Ltd. (阳顺祥新能源有限公司)	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	208,735	37,019	2,688	746,970	98.3%	707,452	6,532
5. Project SIC-24	State-owned enterprise	Lujiang, 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	-	- <sup>^</sup>	193,055	97.0%	198,115	3,060
6. Project SIC-22	Private enterprise	Ningde, Fujian	Power engineering	EPC project	Main contractor	Installation of 10 wind turbines, 10 kv-type transformers, 10kV collector lines and a 33kV 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	855,984	176,071	30,335	37,213	1,553,114	99.2%	1,552,110	12,525

<sup>^</sup> 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.

BUSINESS

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (Note 2)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	For the six months ended June 30, 2023				
8. Project SIC-25	Private enterprise	Linfen, Shanxi	Power engineering	EPC/PPP	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%	-	-	
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 33KV 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%	1,000	386	

BUSINESS

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	2023				
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

BUSINESS

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.

For the year ended December 31, 2022

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup> (Month) <sup>(Note 3)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage % (RMB'000) <sup>(Note 2)</sup>	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>				
										2020	2021	2022	For the six months ended June 30, 2023				Total revenue (RMB'000) <sup>(Note 2)</sup>	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	144,811	1,307,896	89.7%	41,470	1,458,775	100,000	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%	68,422	1,159,962	170,000	6,715	-
3. Project SIC-38	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	-

**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor)	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>			
										2020	2021	2022	2023				Total revenue (Note 3)	2023	2024
4. Project SIC-32	Customer O	Yincheng, Shanxi	Power engineering	EPC/PPP	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%	-	442,569	50,000	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	261,662	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%	-	458,716	50,000	8,584	-
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%	3,315	216,436	18,368	-	-
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

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



**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP Subcontractor	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (Note 2)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	2023				
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	233,062	99.7%	-	-	
10. Project SIC-29	Private enterprise	Cangzhou, Hebei	Petrochemical engineering	EPC project	Main contractor	Raw water and sewage treatment; construction of freezing station, calcliner 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	7,293	283,406	97.5%	289,642	6,000	1,248

**Notes:**

- 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.
- 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.
- 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.

**BUSINESS**

For the six months ended June 30, 2023:

Project	Project SIC-40	Identity of customers	Location	Type of project	EPC/PPP	Our Capacity undertaking the project	Scope of work	Commencement Date	Expected/actual completion date <sup>(Note 1)</sup>	Contract Term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Completion percentage (%)	Revenue recognized after Track Record Period up to the Latest Practicable Date (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	Total Revenue (RMB'000)	2023	2024
1	Project SIC-40	Private Enterprise	Lianjiang, Guangdong	Power Engineering	EPC/PPP	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	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	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 seventh phase section of a high-purity polysilicon production plant	Feb 2022	May 2024	27	-	214,421	185,748	400,169	-	458,716	50,000	8,584	-
4	Project SIC-41	Private Enterprise	Jincheng, Shanxi	Petrochemical engineering	EPC project	Main contractor	Construction of a 600,000 Nm <sup>3</sup> coal bed methane liquefaction plant	Jul 2022	Dec 2023	17	-	4,567	177,904	182,471	1,195	197,613	15,142	-	-

BUSINESS

Project	SIC	Identity of customers	Location	Type of project	EPC/PPP	Our Capacity undertaking the project	Scope of work	Commencement Date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract Term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Completion percentage (%)	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							
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%	-	442,569	50,000	1,571	-
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%	41,470	1,458,775	100,000	50,879	-
7	Project SIC-42	State-owned enterprise	Dangyang, Hebei	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%	15,466	135,418	35,000	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	-	-

## BUSINESS

Project	Identity of customers	Location	Type of project	EPC/PPP	Our Capacity undertaking the project	Scope of work	Commencement Date	Expected/actual completion date <sup>(Note 1)</sup>	Contract Term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage (%)	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	2023				2023	2024	2025	
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%	68,422	1,159,962	170,000	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:

- 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.
- 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.
- 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.

---

## BUSINESS

---

### *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.

## **BUSINESS**

---

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

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

- o the Premium Grade Qualification of General Contracting for Municipal Public Engineering Construction
- o the Grade A Qualification for Fire Protection Engineering Design
- o the Grade A Qualification for Municipal Engineering Industry Design

BUSINESS

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Total revenue (Note 2)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>	
										2020	2021	2022					
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	235,680	105,304	22,932	21,420	645,874	100%	6,637	514,110
2. PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Lulin County	Government authority of Lulin County	Liliang, 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%	5,510	324,037

BUSINESS

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>						Total revenue (Note 3) (RMB'000)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	2023	For the six months ended June 30, 2023	2023					
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	19,457	8,626	-	-	177,166	100%	-	177,166	-	
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	

\* 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.



**BUSINESS**

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (Note 2)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	For the six months ended June 30, 2023					
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	153,652	8,247	477	276,948	48.4%	-	837,964	5,265
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	-

**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor)	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>	
										2020	2021	2022						
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 denitification, demolition and new civil works	Aug. 2020	May 2024	45	80,861	24,514	27,266	132,641	90.2%	-	147,107	10,000	4,467
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 4 district	Mar. 2018	Jun 2021	204	77,947	36,589	18,191	311,302	100%	3,083	217,189	-	-

**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor)	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>	
										2020	2021	2022	For the six months ended June 30, 2023						
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	74,239	190,809	6,228	1,322	277,618	91.3%	627	231,345	17,309	8,678

*Notes:*

- 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.
- 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.
- 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.

**BUSINESS**

For the year ended December 31, 2021:

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/Subcontractor	Our capacity undertaking the project (Main contractor/Subcontractor)	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup> (Month/ <sup>(Note 1)</sup> Year)	Contract term (Month/ <sup>(Note 1)</sup> Year)	Revenue recognized during the Track Record Period (RMB'000/ <sup>(Note 2)</sup> )				Total payments received <sup>(Note 2)</sup> (RMB'000)	Completion percentage % (RMB'000/ <sup>(Note 2)</sup> )	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000/ <sup>(Note 2)</sup> )	Original contract value without tax (RMB'000/ <sup>(Note 2)</sup> )	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)
										2020	2021	2022	2023					
1. Project SAC-18	Private enterprise	Aksu, Xinjiang	Urban heating engineering	EPC/PPP	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	1,322	272,618	91.3%	627	251,345	17,309	8,678
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	114,592	153,642	8,247	276,948	48.4%	-	837,964	5,265	150,000
4. Project SAC-11	State-owned enterprise	Jinzhou, 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	409,363	100%	-	325,450	-	-

BUSINESS

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	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
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	15,000	28,495	
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 13.2km, including excavation and buried pipe construction, construction of caisson structures, pipe jacking construction, pipe culvert construction, inverted siphon 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	132,692	6,487	-	139,464	100%	-	139,464	-	-	
7. PPP Project of Central Heating Pipe Network in Cogeneration Urban District, Luilin County	Government authority of Luilin 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	128,024	108,971	62,115	727,156	100%	5,308	324,057	-	-	

**BUSINESS**

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (RMB'000) <sup>(Note 2)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)		
										2020	2021	2022	2023					For the six months ended June 30, 2023	2023	2024
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%	4,106	137,615	27,929	-	-
9. Project SAC-22	State-owned enterprise	Taiyuan, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Design, construction and 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%	-	555,046	122,500	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 (综合服务圈), including all civil works, decoration and installation works	Aug 2019	Jan 2024	53	37,689	105,645	118,392	20,371	318,469	88.4%	-	259,502	40,000	1,655	-

*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.

**BUSINESS**

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 <sup>(Note 1)</sup> (Month/ <sup>(Note 3)</sup> )	Contract term (Month/ <sup>(Note 3)</sup> )	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Completion percentage % (RMB'000) <sup>(Note 2)</sup>	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)		
										2020	2021	2022				2023	2024	2025
1. Project SAC-24	State-owned enterprise	Yuncheng, Shanxi	Urban heating engineering	EPC/PPP	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	273,794	4,000	875	-
2. Project SAC-17	State-owned enterprise	Jinzhou, Shanxi	Standardized workshop engineering	EPC project	Main contractor	Construction of comprehensive service area (综合服务通), including all civil works, decoration and installation works	Aug 2019	Jan 2024	53	37,689	106,645	118,392	20,371	318,469	259,502	40,000	1,655	-
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 logging workshops	Jan 2022	Jan 2024	30	-	-	117,769	1,782	119,551	117,769	10,000	5,260	-
4. PPP Project of Central Heating Pipe Network in Urban District, Linlin County	Government authority of Linlin County	Loliang, 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	722,156	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	11,550	239,974	137,615	27,929	4,106	-

**BUSINESS**

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	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					Total revenue (RMB'000) <sup>(Note 2)</sup>	2023
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%	4,643	99,707	5,479	-
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 Country, Jincheng City, Shanxi Province	Government authority of Qinshui Country	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 great 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 (充電桩运营) in the traffic hub	Jul 2022	Aug 2024	240	-	91,105	114,427	205,532	54.7%	15,619	375,559	70,027	100,000	-
8. Project SAC-28	State-owned enterprise	Taiyuan, Shanxi	Urban heating engineering	EPC project	Main contractor	Construction of gas boiler room, the gas recovery room, energy center, production auxiliary building, etc.	Mar 2022	Sep 2024	30	-	82,715	17,799	100,514	85.8%	10,359	110,184	15,000	1,644	-



**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor)	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup> (Month) <sup>(Note 3)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	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					Total revenue (RMB'000) <sup>(Note 2)</sup>	2023
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	-	
10. Project SAC-29	Government authority	Loliang, 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%	1,148	62,800	10,000	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.

**BUSINESS**

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	Contract Term (Month/ <i>Note 3</i> )	Revenue recognized during the Track Record Period (RMB'000/ <i>Note 3</i> )			Total Revenue (RMB'000)	Completion percentage (%)	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
1. Project SAC-30	Private enterprise	Ong 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	-	-	153,951	153,951	28.3%	41,391	550,459	250,000	144,508	-
2. Qinshui-East Link Traffic Hub PPP Project of Quality Improvement project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui Country, 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: 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 changing pipes (管道更换管理) in the traffic hub	Jul 2022	Aug 2024	240	-	91,105	114,427	205,532	54.7%	13,619	375,559	70,027	100,000	-

**BUSINESS**

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 5)	Contract Term (Month)(Note 5)	Revenue recognized during the Track Record Period (RMB'000)(Note 2)				Total Revenue (RMB'000)	Completion percentage (%)	Revenue recognized after Period up to the Latest Practicable Date (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years thereafter (RMB'000)		
										2020	2021	2022	June 30, 2023				2023	2024	2025
										2020	2021	2022	June 30, 2023				contract value (RMB'000)	2023	2024
3. Project SAC-31	Private enterprise	Lingou 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	32.1%	9,000	343,110	200,000	32,957	-	
4. PPP Project of Central Heating Pipe Network in Urban District, Liulin County	Government authority of Liulin County	Liuliang, 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	100.0%	5,503	324,037	-	-	-
5. Project SAC-32	Private enterprise	Qijiang, Yunnan	Standardized workshop engineering	EPC project	Main contractor	Construction of a hydrogen production station (制氢站)	Dec 2022	Aug 2024	20	-	-	47,813	9.5%	36,000	504,587	200,000	256,774	-	
6. Project SAC-11	State-owned enterprise	Jinzhou, 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	133,495	142,054	46,968	45,679	100.0%	-	325,450	-	-	-
7. Project SAC-33	Private enterprise	Ulanqih 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	-	-	42,488	53.7%	4,662	79,064	20,000	16,626	-	
8. Project SAC-34	Government authority	Liuliang, 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	98.2%	-	153,107	2,000	707	-

**BUSINESS**

Project	Identity of customers	Location	Type of project	EPC/PPP	Our Capacity undertaking the project	Scope of work	Commencement Date	Expected/actual completion date	Contract Term (Month)/(Year)	Revenue recognized during the Track Record Period (RMB'000)/(Note 2)			Total Revenue (RMB'000)	Completion percentage (%)	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					
9. Project SAC24	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	268,919	98.2%	2,026	275,794	4,000 875
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	235,680	105,304	22,932	645,874	100.0%	6,637	514,110	-

**Notes:**

- 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.
- 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.
- 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.

---

## BUSINESS

---

### *Other Construction*

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:

- o the First Grade Qualification of General Contracting for Construction Engineering
- o the Grade A Qualification for Architectural Decoration Engineering Design
- o 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.

**BUSINESS**

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	June 30, 2023				
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	472,561	12,731	200,000
2. Project OC-14	Government authority of Dayun City	Dayun, 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*	246,531	-	-
3. PPP Project of Swimming Pool and Meixing Theater of Qinshui County in Jincheng City, Shanxi Province	Government Authority of Qinshui City	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	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.

**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (Note 5) (RMB'000)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022	For the six months ended June 30, 2023					
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 Lian an City	Lian 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	Jinzhou, 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	33,835	-	454,618	94.6%	-	399,249	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	-

**BUSINESS**

Project	Identity of customer	Location	Type of project	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Total revenue (Note 2)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>		
									2020	2021	2022	2023						
8. Project 0C-16	Private enterprise	Yantai, Shandong	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	20,454	720	101,281	98.0%	525	71,982	2,062	-
9. Project 0C-17	State-owned enterprise	Taiyuan, Shanxi	Commercial building construction	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 0C-18	Government authorities	Linfen, Shanxi	Residential building construction	Main contractor	Water supply, heating, property maintenance and renovation	Apr, 2019	Jun, 2023	50	42,678	16,678	160	(291) <sup>^</sup>	82,284 <sup>^</sup>	100%	-	89,255	-	-

*Notes:*

- 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.
  - 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.
  - 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.
- <sup>^</sup> The total revenue recognized decreased as a result of completion audit.



**BUSINESS**

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	2020	2021	2022	2023	Total revenue <sup>(Note 5)</sup>	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date <sup>(Note 2)</sup>	Revenue recognized during the Track Record Period <sup>(Note 2)</sup> For the six months ended June 30,	2021	2022	2023	2024	2025	Original contract value without tax <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter <sup>(Note 2)</sup>
1. Project OC-19 <i>(Note 4)</i>	Government authority of Taiyuan City	Taiyuan, Shanxi	Residential building construction	EPC/PPP	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	74,384	550,837	80.8%	32,149	74,384	420,306	56,167	80,000	50,000	1,348	668,794	-
2. Project OC-1	Private enterprise	Jinzhou, 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%	-	-	139,140	32,835	5,867	20,000	-	399,249	20,000
3. Project OC-21 <i>(Note 4)</i>	State-owned enterprise	Taiyuan, Shanxi	Residential building construction	EPC project	Main contractor	Construction of 6 high-rise residential buildings, 2 multi-story residential buildings, property service and supporting facilities, business, kindergarten, underground garage, outdoor roads, greening and handover, outdoor pipe-network supporting infrastructure, etc.	Jun 2020	Dec 2023	42	34,213	129,208	66,769	16,580	246,746	86.2%	-	16,580	129,208	66,769	29,631	-	-	226,124	29,631
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%	-	85,154	112,843	124,590	3,602	-	-	363,609	3,602

**BUSINESS**

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 (Note 2)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (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				2023	2024	2025
5. PPP Project of Swimming Pool and Mixing Theater of Qinshui County in Jincheng City, Shanxi Province	Government Authority of Qinshui City	Jincheng, Shanxi	SECH buildings construction	PPP project	Main contractor	Design, procurement and construction of a swimming pool and theater	Swimming Pool Feb 2019 Mixing Theater May 2019	Swimming Pool May 2021 Mixing Theater May 2019 Theater May 2022	240	125,733	88,580	47,519	18,229	327,584	100%	283,675	-	-
6. Project OC-23	Private enterprise	Yongji, Shanxi	Residential building construction	EPC project	Main contractor	Construction of residence	Aug 2020	Oct 2023	38	15,970	86,613	11,389	1,332	115,304	93.3%	109,442	8,230	-
7. Project OC-II	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	-	-

**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP Subcontractor	Our capacity undertaking the project (Main contractor)	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Total revenue (Note 3) (RMB'000)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>	
										2020	2021	2022						For the six months ended June 30, 2023
8. Project OC-14	Government authority of Dayun City	Dayun, 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%	3,536	56,774	5,264

\* 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 Supplemental agreement has been entered into for this project, pursuant to which the original contract term was extended.

**BUSINESS**

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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>				Completion percentage % (RMB'000) <sup>(Note 2)</sup>	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter: (RMB'000) <sup>(Note 2)</sup>		
										2020	2021	2022	June 30, 2023			Total revenue (Note 2)	2023	2024
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	11,200	114,957	- <sup>a</sup>	126,223	52.1%	242,247	60,000	56,023	-
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%	198,442	36,236	-	-

**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor/ Subcontractor)	Scope of work	Commencement date	Expected/ actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Total revenue <sup>(Note 2)</sup> (RMB'000)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>			
										2020	2021	2022					For the six months ended June 30, 2023	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%	1,944	116,847	7,835	-	
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	20,000	7,800	-

**BUSINESS**

Project	Identity of customer	Location	Type of project	EPC/PPP contractor/ Subcontractor	Our capacity undertaking the project (Main contractor)	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Total revenue (Note 2)	Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>
										2020	2021	2022				
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	June 2022	July 2024	240	-	68,140	46,484	114,624	67.9%	8,345	168,765
						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 piles (充電樁运营管理) in the traffic hub										
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	246,746	86.2%	-	226,124

**BUSINESS**

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 <sup>(Note 1)</sup> (Month) <sup>(Note 3)</sup>	Contract term	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Completion percentage %	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Original contract value without tax (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000) <sup>(Note 2)</sup>			
										2020	2021	2022							
9. Project OC-31	Government authority of Dai County	Xinzhou, Shaanxi	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%	13,711	112,558	29,624	-	-
10. Project OC-19 (Note 4)	Government authority of Taiyuan City	Taiyuan, Shaanxi	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	550,837	80.8%	32,149	668,794	80,000	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 Supplemental agreement has been entered into for this project, pursuant to which the original contract term was extended.
- a The project was suspended temporarily and pending for the project owner's financial arrangements.

**BUSINESS**

**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 <sup>(Note 1)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Total revenue (RMB'000)	Completion percentage (%) (RMB'000) <sup>(Note 2)</sup>	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	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					
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 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%	32,149	668,794	80,000 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%	21,191	198,442	36,236



BUSINESS

Project	Identity of customer	Location	Type of project	Our capacity undertaking the project	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup>	Contract term <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period <sup>(Note 2)</sup>				Completion percentage <sup>(%)</sup>	Total revenue (RMB'000)	Revenue recognized after Track Record Period up to the Latest Practicable Date <sup>(Note 2)</sup>	Original contract value (RMB'000)	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter <sup>(RMB'000)</sup>
									2020	2021	2022	2023					
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	Jincheng, Shanxi	SECH buildings construction	Main contractor	Investment and financing, construction, operation and maintenance	Jun 2022	Jul 2024	240	-	68,140	46,484	114,624	67.9%	8,365	168,765	40,000	14,141
6	Project OC-36	Taiyuan, Shanxi	SECH buildings construction	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	41,388	20.5%	12,842	201,951	60,000	40,563

**BUSINESS**

Project	Identity of customer	Location	Type of project	Our capacity undertaking the project	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup> (Month) <sup>(Note 3)</sup>	Contract term (Month) <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period (RMB'000) <sup>(Note 2)</sup>			Total revenue (RMB'000)	Completion percentage (%)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	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						
7	Project 0C-31 Government authority of Dai County	Xinzhou, Shanxi	SECH buildings construction	Main contractor	Design, procurement and construction of SECH building	Dec. 2021	Dec. 2023	24	-	61,835	21,099	82,934	73.7%	13,711	112,558	29,624	-
8	Project 0C-27 Private enterprise	Baotou, Inner Mongolia Autonomous Region	SECH buildings construction	Main contractor	Construction of wastewater treatment station, highsalt 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	20,000	7,800
9	PPP Project of Swimming Pool and Mixing Theater of Qinshui County in Jincheng City, Shanxi Province	Jincheng, Shanxi	SECH buildings construction	Main contractor	Design, procurement and construction of a swimming pool and theater	Feb. 2019	May 2022	240	125,733	88,580	47,519	327,584	100%	3,753	283,675	-	-

## BUSINESS

Project	Identity of customer	Location	Type of project	Our capacity undertaking the project	EPC/PPP	Scope of work	Commencement date	Expected/actual completion date <sup>(Note 1)</sup>	Contract term <sup>(Note 3)</sup>	Revenue recognized during the Track Record Period <sup>(Note 2)</sup>			Completion percentage (%) <sup>(Note 2)</sup>	Total revenue (RMB'000)	Revenue recognized after Track Record Period up to the Latest Practicable Date (RMB'000) <sup>(Note 2)</sup>	Revenue to be recognized after the Latest Practicable Date for each of the next three years and thereafter (RMB'000)	
										2020	2021	2022					
10	State-owned enterprise	Taiyuan, Shanxi	Residential building construction	Main contractor	EPC project	Construction of 6 high-rise residential buildings, 2 multi-story 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	16,550	246,746	-	226,124	39,631

### 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 Supplemental agreement has been entered into for this project, pursuant to which the original contract term was extended.

---

## BUSINESS

---

### *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%, 9.8% and 11.9% of our total revenue for respective years. 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.

---

## BUSINESS

---

### *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.

### *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.

**BUSINESS**

**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)		Revenue recognized after the Track Record Period up to the Latest Practicable Date (RMB'000) (Note 2)	Expected completion date (Note 2)	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 ended December 31, 2020	2021											
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-2	Australia	Private enterprise	EPC project	Main contractor	Designing, equipment procurement, transport and storage, construction installation and operation of photovoltaic 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	34,218	758,230	Nov 2021	Dec 2024	37	21.6	244,142	350,000	-

\* 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 third quarter of 2023.

\*\* 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 document.

**BUSINESS**

Project	Location	Identity of customers	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)		Revenue recognized after the Track Record Period and up to the Latest Practicable Date (RMB'000) (Note 2)	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 ended December 31, 2020	For the six months ended June 30, 2022					
Overseas project-4	Bangladesh	State-owned enterprise	Subcontractor	Procurement and installation of all 2 wind turbines and ancillary equipment of a wind power plant	Specialized industrial construction	-	39,308	10,735	Sep 2022	27	23.3	80,797
							30,663	300,867	Dec 2024			150,000

**Notes:**

- 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.
- 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.

---

## BUSINESS

---

To support China’s “Belt and Road Initiative”:

- We implemented a “Great Expansion Overseas” strategy of the SCIG Group to complement our national policy. Under such policy, we fully leveraged on our advantages and specialties aiming to enhance our brand identity and reputation in such fields as electric power, chemical industry, coking and smelting.
- We cooperated with the international investment company of construction investment group to make new breakthroughs in overseas investment projects.
- We further enhanced our efforts in cultivating the South Asia, Central Asia, Southeast Asia and Africa markets, closely following the development window of those key regional markets, and shifting from “Going out” to “Going in”.
- We reallocated our overseas assets to enhance the core competitiveness of our overseas operations, and support our market development efforts with impressive contract execution performance.
- We improved the institutional mechanism of our international business by establishing a platform of linkage and cooperation among our units, generating strong synergy to help us score splendid achievements in overseas markets.
- We vigorously recruited and nurtured talents with international business development capacity, while consolidating our international operations teams and optimizing our business divisions and overseas organizations, aiming to enrich our experience in overseas project management throughout the whole process.

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. A deposit (the “**Procurement Deposit**”) of EUR898,356.1, representing 10% of the total amount under the Procurement Agreement had been advanced to the Relevant Supplier in June 2021.



---

## BUSINESS

---

In or around October 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. 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

---

## BUSINESS

---

a further sum of EUR2,353,063 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 of 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.

In relation to the accounting treatment for the delay in the Australia Project and the amount owed to the Relevant Supplier, 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 document. 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. Our Directors are of the view that, and the Reporting Accountant concurs, that the accounting treatment of our Group’s provision for delayed payment for the year ended December 31, 2022 under the Australia Procurement Agreement is appropriate and sufficient.

---

## BUSINESS

---

### *Accounting issues with Australia Project*

#### *(i) Termination of Australia Project Contract:*

Our Group commenced its negotiation with the Project Owner to seek for the termination of the Australia Project Contract during the six months ended June 30, 2023. On April 26, 2023, the Project Owner had served a termination notice to our Group indicating their intention to terminate the Australia Project Contract. The notice of termination indicating conditions that arose during the six months ended June 30, 2023 as a result of negotiation commenced by the Group and the Project Owner during the six months ended June 30, 2023.

#### *(ii) Termination Agreement of the Australia Procurement Agreement:*

Our Group informed the Relevant Supplier on the termination of Australia Project Contract and our Group’s intention to terminate the Procurement Agreement. On May 16, 2023, the Group had entered into the Termination Agreement with the Relevant Supplier.

As at December 31, 2022, the management of our Group was of the view that our Group intended to execute the Procurement Agreement and have not commenced any negotiation with the Relevant Supplier on termination of the Procurement Agreement. The Termination Agreement is an indicator of conditions that arose during the six months ended June 30, 2023 and no obligations on the Settlement exists before entering into the Termination Agreement.

Hence, our Directors are of the view that, and the Joint Sponsors and Reporting Accountants concur with our Directors, there are indicate of conditions that arose during the six months ended June 30, 2023 upon the termination of Australia Project Contract and entering into the Termination Agreement with the Relevant Supplier.

In respect of the Settlement, our Group 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 approximately 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.

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.

## BUSINESS

### 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 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	Date
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening value of backlog as of the beginning of the relevant year/period	21,014,989	22,786,814	32,280,212	38,397,705	37,759,959
Add: newly signed contract value (excluding value-added tax)	15,468,907	21,683,235	22,408,769	7,918,824	2,527,903
Add: (adjustment)/variation orders	290,304	(19,283)	665,315	62,674	13,088
Less: project cancellation	4,565,681	–	5,377,799	3,999,647	1,802,142
Less: revenue recognized	9,421,705	12,170,554	11,578,792	4,619,597	1,951,327
<b>Ending backlog as of the end of the relevant year/period</b>	<b>22,786,814</b>	<b>32,280,212</b>	<b>38,397,705</b>	<b>37,759,959<sup>(Note)</sup></b>	<b>36,547,481</b>

*Note:* The ending backlog as of June 30, 2023 comprises value from 861 projects of our Group.

#### Analyzed by project types:

EPC projects <sup>(Note)</sup>	22,269,249	31,835,663	36,922,384	36,471,211	35,304,607
PPP projects	517,565	444,549	1,475,321	1,288,748	1,242,874
	<b>22,786,814</b>	<b>32,280,212</b>	<b>38,397,705</b>	<b>37,759,959</b>	<b>36,547,481</b>

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

## BUSINESS

	As of December 31,			As of June 30,	After Track Record Period and up to the Latest Practicable Date
	2020	2021	2022	2023	Date
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Analyzed by principal business activities:</b>					
Specialized industrial construction	15,245,338	20,595,809	28,602,146	29,163,499	28,108,868
Specialized auxiliary construction	4,776,301	6,537,213	4,959,936	5,018,781	5,181,169
Other construction	2,765,175	5,147,190	4,835,623	3,577,679	3,257,444
	<u>22,786,814</u>	<u>32,280,212</u>	<u>38,397,705</u>	<u>37,759,959</u>	<u>36,547,481</u>

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.

---

## BUSINESS

---

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 a 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-27) 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.

During the Track Record Period, there were 41 projects of the Group which had been 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. The aggregate sum of the contract value of such cancelled projects amounted to RMB13,943.1 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

## BUSINESS

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:

	<b>For the year ended December 31,</b>			<b>For the</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>six months</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>ended</b>
				<b>June 30,</b>
				<b>2023</b>
				<i>RMB'000</i>
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 comprehensively 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 high-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

---

## BUSINESS

---

new businesses with cutting-edge technologies and strive to comprehensively 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 comprehensive 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 academician 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.



---

## BUSINESS

---

- 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.

---

## BUSINESS

---

- 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 an 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.

---

## BUSINESS

---

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 “Xiaohu 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. 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.

---

## BUSINESS

---

### *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. On the other hand, 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

---

## BUSINESS

---

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 two 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 the PPP Project of South Extension Viaduct Project of Binhe East Road, Xiantangshan Tourist Highway in Xiangyuan County) 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 extensive experience and resources accumulated in the new energy field, we conduct in-depth research, judgment and careful selection of favorable projects, enhance project management platform and strengthen cost control, thus we are able to target and secure new energy projects with higher gross profit margin, 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.

---

## BUSINESS

---

### *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

---

## BUSINESS

---

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 high-quality 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.

---

## BUSINESS

---

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 [REDACTED]. 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



---

## BUSINESS

---

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 [REDACTED]% of our [REDACTED] 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.

---

## BUSINESS

---

- 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.

---

## BUSINESS

---

- 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, annual arrears of projects under construction should be reduced by 50%, and requirements for closed and settled defaults should be reduced 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 RMB1,555.0 million as of the Latest Practicable Date, operating income to be received, subsequent settlement of trade receivables as of August 31, 2023, unutilized bank borrowing facilities of RMB5,541.1 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 90 new projects with total contract sum of RMB2,527.9 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”.

---

## BUSINESS

---

- 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 document.

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.

## BUSINESS

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

**BUSINESS**

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
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
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

**BUSINESS**

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
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
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

**BUSINESS**

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
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
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



**BUSINESS**

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
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
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

## BUSINESS

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
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
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

## BUSINESS

No.	License and Permit Name	Serial No.	Qualification category, grade or scope	Authorization Body	Issue Date	Validity
33.	Shanxi Province Safety Technology Specification Practitioner Qualification Certificate (山西省安全技術規範從業單位資質證)	Jin TY No. 20130638	First grade in design and installation of safety technology	Safety Technology Prevention Management Office of Public Security Department, Shanxi Province (山西省公安廳安全技術防範管理辦公室)	2022/2/28	2023/9/13 <sup>(Note)</sup>
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)	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
35.	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
36.	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

*Note:* We have applied for renewal in May 2023. In June 2023, the Public Security Department of the Shanxi Province has issued the “Notice of Amendment of the Shanxi Province Safety Technology Prevention Act” (《關於修訂《山西省安全技術防範條例》的通知》), under which the requirement of obtaining the relevant license was abolished. Accordingly, we will not seek further renewal of the relevant license upon its expiry. The management of the Company confirms that the abolishment of the relevant licensing requirement will not have material impact on our operation.

---

## BUSINESS

---

### 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)

## BUSINESS

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)

## BUSINESS

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 (山西金能銅銦鎘硒薄膜太陽能項目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 Yangziji 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工程大獎)

---

## BUSINESS

---

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.”

**BUSINESS**

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,			For the six months ended June 30,										
	2020		2021		2022		2023							
	Revenue RMB'000	Gross profit margin	Revenue RMB'000	Gross profit margin	Revenue RMB'000	Gross profit margin	Revenue RMB'000	Gross profit margin						
EPC	8,556,186	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	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 <sup>(Note)</sup>	578,710	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	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”.



---

## BUSINESS

---

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<sup>1</sup>, 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.

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.

---

## BUSINESS

---

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.

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.

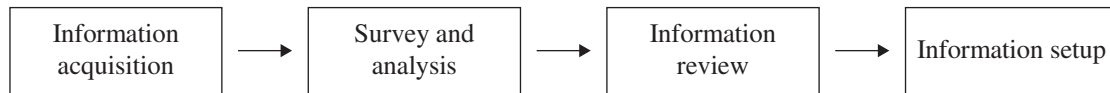
---

## BUSINESS

---

We have a comprehensive 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



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:

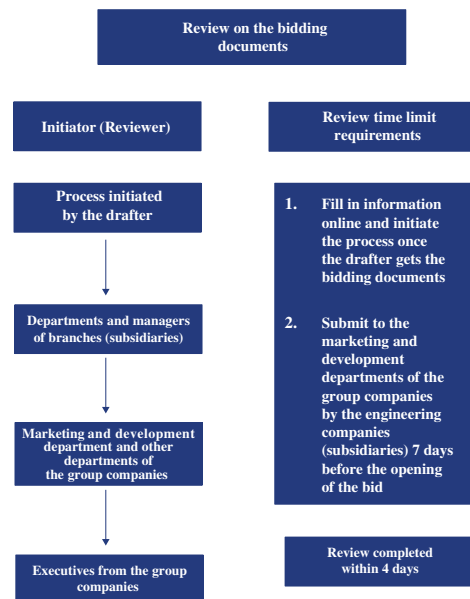
- customer background and track records, such as whether being irresponsible or default in the past
- whether the necessary licenses, qualifications and permits have been obtained, and whether the filing procedures are completed or not
- technical specifications/requirements/nature of the project
- project 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.

## BUSINESS

### 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:



---

## BUSINESS

---

### 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:
  - o a comprehensive review of the technical and commercial conditions and requirements
  - o 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:
  - o the situation of the country and market where the bidding project is located
  - o information of other potential bidders and tenderers
- With such an analysis, we put together a draft bid. Our draft bids generally include:
  - o a proposed project schedule and timeline for each construction stage
  - o 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.

---

## BUSINESS

---

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:

	<b>For the year ended December 31,</b>			<b>For the six months ended June 30,</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
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).

## BUSINESS

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	<b>Projects tendered</b>	588	337	128	151
	<b>Projects awarded</b>	265	158	56	134
	<b>Tender success rate</b>	45.1%	46.8%	43.7%	88.7%
	<b>Industry tender success rate range<sup>(Note 1)</sup></b>	30-60%	35-65%	35-65%	N/A <sup>(Note 2)</sup>
For the year ended December 31, 2021	<b>Projects tendered</b>	569	392	110	129
	<b>Projects awarded</b>	268	138	42	116
	<b>Tender success rate</b>	47.1%	35.2%	38.1%	89.9%
	<b>Industry tender success rate range<sup>(Note 1)</sup></b>	30-60%	25-55%	30-60%	N/A <sup>(Note 2)</sup>
For the year ended December 31, 2022	<b>Projects tendered</b>	469	194	59	129
	<b>Projects awarded</b>	222	84	24	106
	<b>Tender success rate</b>	47.3%	43.3%	40.7%	82.2%
	<b>Industry tender success rate range<sup>(Note 1)</sup></b>	20-60%	15-55%	20-60%	N/A <sup>(Note 2)</sup>
For the six months ended June 30, 2023	<b>Projects tendered</b>	165	65	17	96
	<b>Project awarded</b>	73	24	12	89
	<b>Tender success rate</b>	44.2%	36.9%	70.6%	92.7%
	<b>Industry tender success rate range<sup>(Note 1)</sup></b>	20-60%	15-55%	35-75%	N/A <sup>(Note 2)</sup>

*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.

---

## 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:

	<b>Lowest</b> <i>(RMB'000)</i>	<b>Highest</b> <i>(RMB'000)</i>
<b><i>During the year ended December 31:</i></b>		
<b>2020</b>	10 <sup>(Note)</sup>	728,985
<b>2021</b>	10 <sup>(Note)</sup>	2,250,000
<b>2022</b>	10 <sup>(Note)</sup>	4,025,360
<b><i>During the six months ended June 30, 2023</i></b>	5.8 <sup>(Note)</sup>	8,000,000

*Note:* Projects we bid 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.



---

## BUSINESS

---

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 high 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 high 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 high-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.

---

## BUSINESS

---

### 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.

---

## BUSINESS

---

### *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;

---

## BUSINESS

---

- 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.

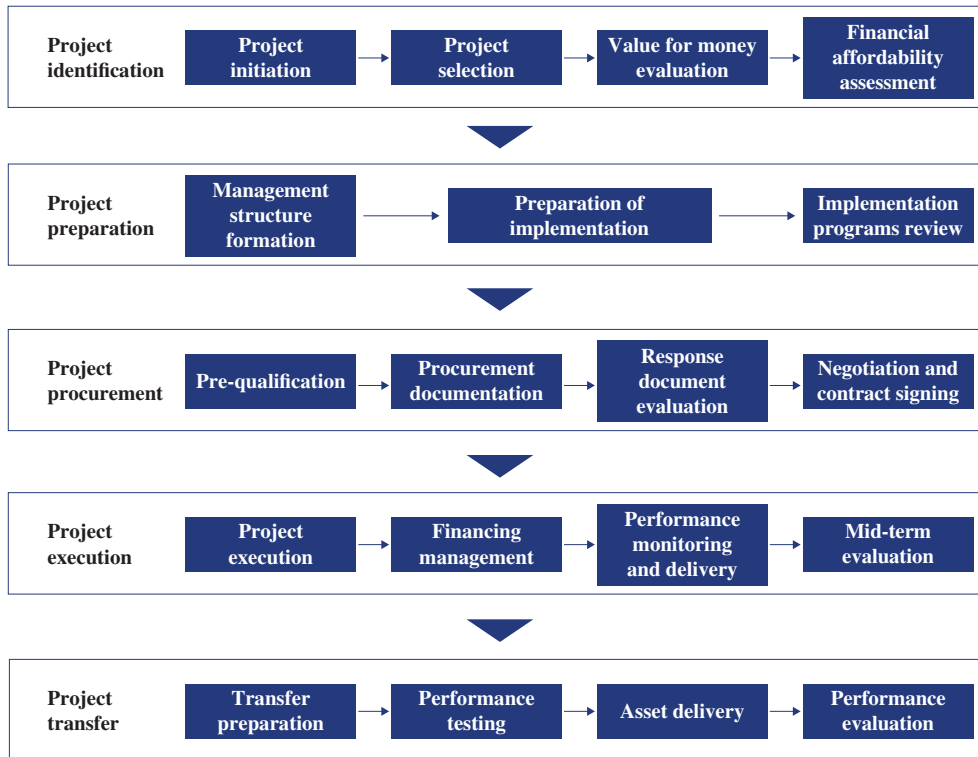
## CONSTRUCTION INVESTMENT

### 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

## BUSINESS

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

BUSINESS

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 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 linked by the Government			
													For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2023					
1	PPP project of Quality Improvement Project (New Party School, Qishui-East Link Traffic Hub Project) of Qishui County, Jinzhong City, Shanxi Province	Government authority of the Qishui County	854,317.3	Financing: 80%; Equity Investment: 20%	170,864	80%	April 2022	June 2024	Investment and financing, construction, operation and maintenance 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 Qishui East Link Traffic Hub Project (沁水连接东交通枢纽工程)	Construction commenced in the second quarter of 2022	New Party School: 43.3%; Qishui-East Link traffic hub: 68.0%	20	169,345	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 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.

## BUSINESS

No.	Project	Identity of customer	Total investment amount (Note 7 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4) (RMB'000)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	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														
													For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2023																
2	PPP Project of Underground Comprehensive of the 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	Completed	100.0%	19	233,680,594,53 <sup>^</sup>	-	-	-	1,036	1,037	518	-	-	40,815	38,814	20,902	N/A							The government provides the viability gap funding (可行性缺口补助) include availability of service fee and operation and maintenance throughout the operation period. The first batch of payment is made 30 days after the end of first year of operation.

Construction: Construct a cooperation project at the west of X340 at the economic and technological development zone in Xiyang (晋阳高新技术開發區X340路西側) according to county government authority

Operation and maintenance: Maintain the working environment, pipelines and corridors, and device contingency plans with relevant departments

\* 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.







## BUSINESS

No.	Project	Identity of customer	Total investment amount (Note 7 and Note 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4) (RMB'000)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	Date of commencement under the contract (Note 3)	Date of completion/expected operation (Note 3)	Scope of services provided by the Group (Note 3)	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 linked by the Government						
													For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the six months ended June 30, 2021						
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	507,085.9	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 workshop 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 <sup>^</sup> , 5,123 <sup>^</sup> , - <sup>@</sup>	-	-	-	12,614	17,413	3,445	4,594	N/A	Include availability service fee and operation and maintenance performance of each year of the operation period calculated according to a designated formula in Capex 2015	The government provides the viability gap funding at the end of each year of the operation period according to a designated formula in Capex 2015	
7	PPP Project of Central Heating Pipe Network in Urban Cogeneration District, Lulin County	Government authority of Lulin 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 services, operate, repair and maintenance of heat stations and facilities	Completed	100.0%	29	65,332 <sup>^</sup> , 25,167 <sup>^</sup> , -	66,844	69,354	75,706	45,603	33,753	33,303	33,385	16,533	N/A	Include availability service fee and operation and maintenance performance 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 Capex 2015

<sup>@</sup> 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.

<sup>#</sup> 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.

<sup>^</sup> Construction revenue was recognized and/or adjusted after completion of the construction in accordance with the results of the completion audit.

BUSINESS

No.	Project	Identity of customer	Total investment amount (Note 7 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4) (RMB'000)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	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	2023	2020	2021	2022	2023	For the six months ended June 30, 2023						
8	PPP Project of Swimming Pool and Theater of Qinshui County in Jinzhong City, Shanxi Province	Government authority of Qinshui County	337,316.3	Financing: 80% Equity Investment: 20%	64,090	95%	Swimming Pool: February 2019 Theater: May 2019	Swimming Pool: May 2021 Theater: May 2022	Financing, construction, operation and maintenance, and customer services including three pools, stands, auxiliary rooms and facilities, and 800-seat theatre with facilities including underground car park	Completed	100.0%	17	125,733	85,963	17,202	6,390	-	617	6,789	2,971	-	-	23,438	8,868	N/A	Government viability gap finding include availability of service fee, operation and maintenance performance service fee and users' payment calculated in the sixth month of the first year of the operation period.	The government provides the viability gap finding 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.

BUSINESS

No.	Project	Identity of customer	Total investment amount (Note 7 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4) (RMB'000)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	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						
													For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2023								
9	PPP Project of Two Roads and Three Streets Widening and Reconstruction Project in Huzhou <sup>m</sup> County	Government authority of the Huzhou County	304,630	Financing: 71% Equity Investment: 23%	54,835	90%	June 2018	December 2020	Investment and financing, operation and construction	Completed	100.0%	15	73,704 (6,860) <sup>^</sup>	-	-	-	3.115	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 for operation and maintenance performance service fee and user 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 as 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.

<sup>^</sup> Construction revenue was recognized and/or adjusted after completion of the construction in accordance with the results of the completion audit.

BUSINESS

No.	Project	Identity of customer	Total investment amount (Note 7 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4) (RMB'000)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	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 included by the Government								
													For the six months ended June 30, 2022	For the six months ended June 30, 2021	For the six months ended June 30, 2020	2021	2022	2023								
10	PPP Project of Extension Project of Wangchuan Street, Qishan South Road and Huangwei East Street in Liangshan County	Government authority of Liangshan County	273,560	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, greenwork, traffic facilities, bearing, cable drainage work and bridge construction. Operation and maintenance: Daily maintenance, operation and small-scale repair.	Completed	100.0%	15	17,045 <sup>^</sup> , 3,387 <sup>^</sup>	-	-	2,230	2,081	2,232	1,115	16,354	15,684	13,556	6,700	N/A	Government payments include availability service fee for operation and maintenance together with the 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 as 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.

## BUSINESS

No.	Project	Identity of customer	Total investment amount (Note 7 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4) (RMB'000)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	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 linked by the Government				
													For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2023						
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, fighting power cable damage, traffic and greening. Operation and maintenance: Road repair and discharge sewage, maintenance of pipelines	Completed	100.0%	15	34,517,143 <sup>△</sup> , 2,000 <sup>△</sup>	-	1,295,138	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	-	-	-	-	-	-	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.



## BUSINESS

No.	Project	Identity of customer	Total investment amount (Note 7 and 4) (RMB'000)	Proportion of financing and equity investment amount (Note 4) (RMB'000)	Our required Equity Investment Amount (RMB'000) (Note 4)	Our equity interest in project company (Note 4)	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 (linked by the Government)			
													For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 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, Chanzhi 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 Zhangzi County and Ecological Environment in Zhangzi County, Chanzhi 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)	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 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 gate, 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	2020	2021	2022	2023	2020	2021	2022	2023	Government viability gap finding excluded according to the established formula	The government provides the viability gap finding 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.



**BUSINESS**

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%

**BUSINESS**

No.	Project	Status	Date of commencement	Date of completion/ expected operation <i>(Note)</i>	Construction Completion percentage (%)	Accumulated revenue (including construction revenue, operating income and finance income) since the construction commenced <i>(RMB'000)</i>	Accumulated cost since the construction commenced <i>(RMB'000)</i>	Accumulated gross profit since the construction commenced <i>(RMB'000)</i>	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 Fente Urban Section of Xinjiang County	Completed	Apr 2019	May 2022	100.0%	400,651	307,425	93,226	23.3%

**BUSINESS**

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, Luilin 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%

**BUSINESS**

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%

BUSINESS

No.	Project	Status	Date of commencement	Date of completion/ expected operation (Note)	Construction Completion percentage (%)	Accumulated revenue (including 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
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%
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 yet to be confirmed	Construction schedule has yet to be confirmed	Construction schedule has yet to be confirmed	N/A	Nil	Nil	Nil	N/A
						3,985,712	2,597,079	1,388,633	
<b>Total</b>									

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.

---

## BUSINESS

---

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.

---

## BUSINESS

---

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 comprehensively 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 extensive 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.

---

## BUSINESS

---

- *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 comprehensive 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.



## BUSINESS

### 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 high-quality, timely and safe construction contracting services. Most of our large customers have engaged in projects with us multiple times, and we have established 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:

Type of customers	For the year ended December 31						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	% of total revenue		% of total revenue		% of total revenue		% of total revenue		% of total revenue	
	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue	RMB'000	revenue	RMB'000	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%
	<u>10,148,620</u>	<u>100%</u>	<u>13,278,369</u>	<u>100%</u>	<u>12,844,822</u>	<u>100%</u>	<u>5,747,933</u>	<u>100%</u>	<u>5,248,033</u>	<u>100%</u>



## BUSINESS

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	
	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	<i>total</i>	
	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>
							<i>(unaudited)</i>			
<b>Other independent third parties</b>										
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%
<b>Sub-total</b>	<b>9,328,321</b>	<b>91.9%</b>	<b>11,987,415</b>	<b>90.3%</b>	<b>11,283,860</b>	<b>87.8%</b>	<b>5,211,803</b>	<b>90.7%</b>	<b>4,482,364</b>	<b>85.5%</b>
<b>The Group's investment entity<sup>(Note)</sup></b>										
Other construction	-	-	-	-	23,521	0.2%	-	-	-	-
Non-construction business income	-	-	-	-	578	0.0%	-	-	526	0.0%
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,099</b>	<b>0.2%</b>	<b>-</b>	<b>-</b>	<b>526</b>	<b>0.0%</b>
<b>Total</b>	<b>10,148,620</b>	<b>100%</b>	<b>13,278,369</b>	<b>100%</b>	<b>12,844,822</b>	<b>100%</b>	<b>5,747,933</b>	<b>100%</b>	<b>5,248,033</b>	<b>100%</b>

*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.

## BUSINESS

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	
	<i>% to our total</i>	<i>% to our total</i>	<i>% to our total</i>	<i>% to our total</i>	<i>% to our total</i>	<i>% to our total</i>	<i>% to our total</i>	<i>% to our total</i>	<i>% to our total</i>	<i>% to our total</i>
	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>
							<i>(unaudited)</i>			
Government authorities (including PPP projects) <sup>(Note 1)</sup>	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	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 <sup>(Note 2)</sup>	981,356	9.7%	1,295,126	9.7%	2,321,699	18.1%	973,182	16.9%	1,343,082	25.6%
<b>Total</b>	<b><u>10,148,620</u></b>	<b>100%</b>	<b><u>13,278,369</u></b>	<b>100%</b>	<b><u>12,844,822</u></b>	<b>100%</b>	<b><u>5,747,933</u></b>	<b>100%</b>	<b><u>5,248,033</u></b>	<b>100%</b>

*Notes:*

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

## BUSINESS

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
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
<b>Sub-total for specialized industrial construction:</b>	<b>5,421,639</b>	<b>6,964,903</b>	<b>7,591,132</b>	<b>3,187,051</b>	<b>2,932,571</b>
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
<b>Sub-total for specialized auxiliary construction</b>	<b>2,639,530</b>	<b>3,118,317</b>	<b>2,091,063</b>	<b>1,111,367</b>	<b>921,500</b>
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
<b>Sub-total for other construction</b>	<b>1,360,536</b>	<b>2,087,334</b>	<b>1,896,597</b>	<b>908,957</b>	<b>765,526</b>
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
<b>Sub-total for non-construction:</b>	<b>726,915</b>	<b>1,107,815</b>	<b>1,266,030</b>	<b>540,558</b>	<b>628,436</b>
<b>Total:</b>	<b>10,148,620</b>	<b>13,278,369</b>	<b>12,844,822</b>	<b>5,747,933</b>	<b>5,248,033</b>

## BUSINESS

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
<i>For the year ended December 31, 2020</i>							
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.	Specialized industrial construction – electricity construction	Open tender	853,481	8.4%	2019

## BUSINESS

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. Dai County Xinhuaneng Energy Company 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
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.	Specialized industrial construction – electricity construction	Open tender	570,556	5.6%	2019

## BUSINESS

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount <i>RMB('000)</i>	% 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.	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.	Specialized auxiliary construction – standardized plant construction and other construction	Referral from old customer of the Company	461,667	4.5%	2018



## BUSINESS

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
<i>For the year ended December 31, 2021</i>							
1	Shanxi CIG	A state-owned company incorporated and based in the PRC whose principal business is construction, labor subcontracting, construction maintenance.	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.* (稷山縣國視新能源有限公司)	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.	Specialized industrial construction – electricity construction	Referral from old customer of the Company	500,003	3.8%	2021
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.	Other construction – residential construction	Open tender	419,001	3.2%	2020

## BUSINESS

Ranking	Customer	Principal business and location	Product sold or service rendered	Method of procuring the major customer	Transaction amount <i>RMB('000)</i>	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
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.	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.	Specialized industrial construction – electricity construction	Referral from old customer of the Company	319,457	2.3%	2020

## BUSINESS

Ranking	Customer	Principal business	Product sold or service rendered	Method of procuring the major customer	Transaction amount <i>RMB('000)</i>	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
<i>For the year ended December 31, 2022</i>							
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.	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.	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

## BUSINESS

Ranking	Customer	Principal business	Product sold or service rendered	Method of procuring the major customer	Transaction amount <i>RMB('000)</i>	% 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.	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. Customer D is the same entity as Supplier B.	Specialized industrial construction, Specialized auxiliary construction	Open tender	284,898	2.3%	2015

## BUSINESS

Ranking	Customer	Principal business	Product sold or service rendered	Method of procuring the major customer	Transaction amount <i>RMB('000)</i>	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
<i>For the six months ended June 30, 2023</i>							
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.	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 RMB 81.6 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..	Specialized industrial construction	Open tender	283,069	5.4%	2022
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.	Specialized industrial construction	Open tender	197,737	3.8%	2022

## BUSINESS

Ranking	Customer	Principal business	Product sold or service rendered	Method of procuring the major customer	Transaction amount <i>RMB('000)</i>	% of total revenue of the Group for such period	Year of commencement of business relationship with the Group
5	Customer S	Government authority of Qinshui 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.

---

## BUSINESS

---

- *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.

---

## BUSINESS

---

- *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.



---

## BUSINESS

---

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.

---

## BUSINESS

---

### 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.

---

## BUSINESS

---

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 50% of the Shares in issue, had any interest in any of our five largest suppliers for the Track Record Period.

## BUSINESS

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
<i>For the year ended December 31, 2020</i>						
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
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

## BUSINESS

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
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
<i>For the year ended December 31, 2021</i>						
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. <i>(Note 1)</i>	Labor cost	780,067 <sup>(Note 2)</sup>	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

**BUSINESS**

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
<i>For the year ended December 31, 2022</i>						
1	Shanxi Chengan	Please refer to the disclosure above. <sup>(Note 1)</sup>	Labor cost	2,255,062 <sup>(Note 2)</sup>	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

**BUSINESS**

Ranking	Supplier	Principal business	Product purchased or service rendered	Purchase amount <i>RMB('000)</i>	% 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

## BUSINESS

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
<i>For the six months ended June 30, 2023</i>						
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

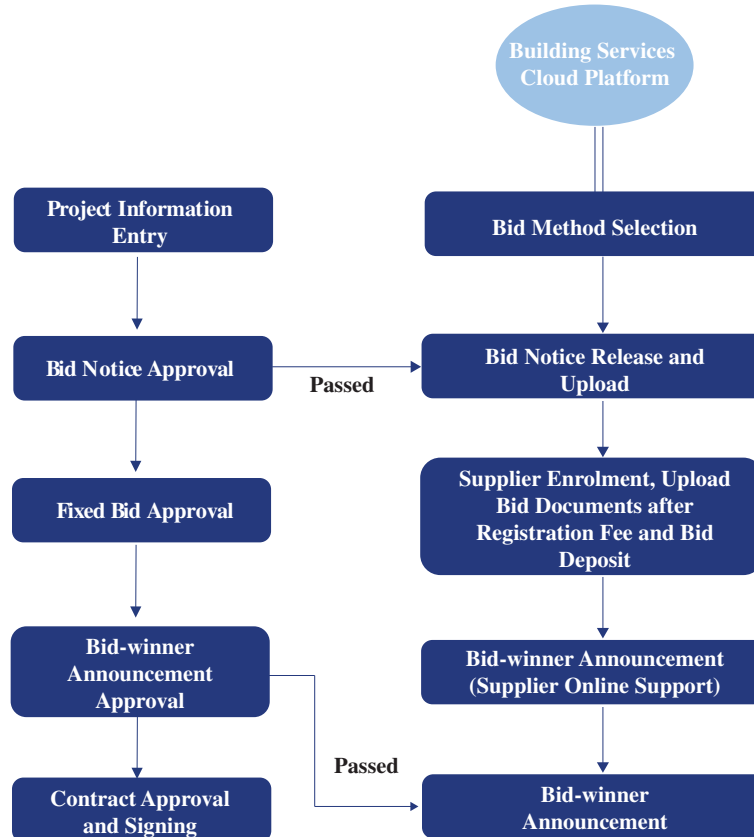
*Notes:*

- 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.
- 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 commenced business cooperation with Shanxi Chengan in the second half of 2021.



## BUSINESS

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.

---

## BUSINESS

---

- *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 Tender and Bidding Law of the People’s Republic of China 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 proceedings and compliance – Non-compliance – Bidding procedures”.

---

## BUSINESS

---

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.

---

## BUSINESS

---

(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.

---

## BUSINESS

---

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.

## BUSINESS

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.

---

## BUSINESS

---

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; 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 management 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, and that 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.

---

## BUSINESS

---

### 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:

	<b>Number of employees</b>
Management staff	2,927
Technical staff	251
Production staff	238
Service staff	101
Others	163
	<hr/>
Total	3,680
	<hr/> <hr/>

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”.



---

## BUSINESS

---

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 comprehensive 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.

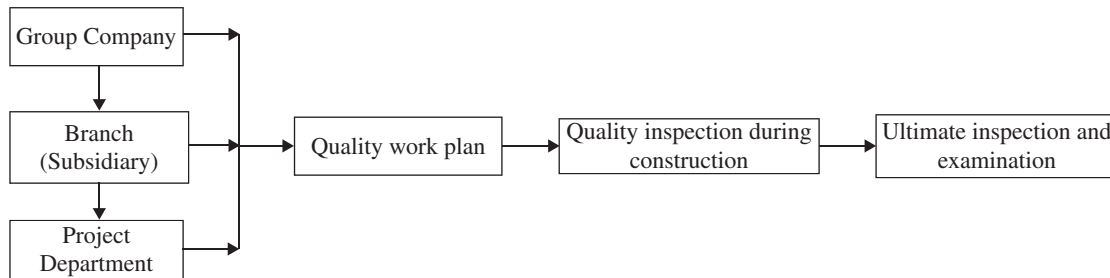
In particular: (i) the Group Company and its subsidiaries enter into labor outsourcing contracts with labor outsourcing companies. The outsourced positions include auxiliary management personnel, auxiliary construction personnel and logistics service personnel; (ii) labor outsourcing personnel enter 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”.

## BUSINESS

### 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

---

## BUSINESS

---

- 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 Prize, 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 Prize 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 comprehensive risk management, 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.

---

## BUSINESS

---

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 extensive 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.

---

## BUSINESS

---

### 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;

---

## BUSINESS

---

- 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, comprehensive 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.

---

## BUSINESS

---

### 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<sup>1</sup> were RMB141 million, RMB174 million, RMB189 million and RMB65 million, respectively.

<sup>1</sup> 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.

---

## BUSINESS

---

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 document.

### 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



---

## BUSINESS

---

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

## BUSINESS

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
<b>Functional department</b>	[REDACTED] Office	ESG Management	<ol style="list-style-type: none"> <li>1. Coordinate various departments to provide environmental, social and governance-related information;</li> <li>2. Collect and summarize ESG data of various departments, organize and carry out ESG-related work;</li> <li>3. Submit above-mentioned text information.</li> </ol>
	Planning and Development Department	ESG Strategy and Reporting	<ol style="list-style-type: none"> <li>1. Coordinate and arrange ESG strategic planning and training for the Board;</li> <li>2. ESG report and material ESG matters shall be reviewed by the Board;</li> <li>3. Improve the Group’s quality, environment and safety management system;</li> <li>4. Make planning for the Company’s future development projects such as new energy transformation and clean heat supply;</li> <li>5. Submit above-mentioned text and data information.</li> </ol>

**BUSINESS**

Department	Corresponding ESG issues	ESG Management Responsibilities
Safety and Environment Protection Department	A1 Emissions A2 Use of Resources A3 The Environment and Natural Resources	<ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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.;</li> <li>4. Submit above-mentioned text and data information.</li> </ol>
		<ol style="list-style-type: none"> <li>1. Identify and ravel out major laws and regulations as well as requirements by regulatory authorities in relation to production safety;</li> <li>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;</li> <li>3. Analyze the emergency rescue management system and specific implementation of production safety accidents;</li> <li>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.;</li> <li>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);</li> <li>6. Submit above-mentioned text and data information.</li> </ol>

**BUSINESS**

Department	Corresponding ESG issues	ESG Management Responsibilities
Technical Quality Department	B6 Product Responsibility	<ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3. In terms of technology management, including technology planning, technology transformation, technology innovation and technology review;</li> <li>4. In terms of service quality management, including system analyse, process management and specific implementation;</li> <li>5. Manage the Company’s brand, trademark and intellectual property protection matters, including system analyse, solving process management and specific implementation;</li> <li>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;</li> <li>7. In terms of consumer privacy and rights protection management, including system analyse, process management and specific implementation;</li> <li>8. Summarize customer service cases, consumer rights protection cases, customer satisfaction data and other data;</li> <li>9. Submit above-mentioned text and data information.</li> </ol>

**BUSINESS**

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.	

**BUSINESS**

Department	Corresponding ESG issues	ESG Management Responsibilities
Disciplinary Committee	B7 Anti-corruption	<ol style="list-style-type: none"> <li>1. Identify and comply with major national and local laws and regulations as well as requirements by regulatory authorities in anticorruption;</li> <li>2. Manage the Company’s anti-corruption matters, including system analyse, process management and specific implementation;</li> <li>3. Summarize the Company’s anti-corruption work, education and training cases of clean politics and details on corruption litigation cases;</li> <li>4. Establish relevant measures and reporting procedures for the Company against bribery, extortion, fraud and money laundering;</li> <li>5. Submit above-mentioned text and data information.</li> </ol>
Finance and Assets Department	ESG Management	<ol style="list-style-type: none"> <li>1. Establish a comprehensive risk management mechanism, including system analyse, process management and specific implementation;</li> <li>2. Take charge of reviewing the effectiveness of risk management and internal control systems including ESG risks;</li> <li>3. Submit above-mentioned text and data information.</li> </ol>
	A4 Climate Change	<ol style="list-style-type: none"> <li>1. Identify and analyse risk and management policies in relation to climate changes;</li> <li>2. Improve the production management system based on the identified risks;</li> <li>3. Submit above-mentioned text and data information.</li> </ol>
Labor union	B8 Community Investment	<ol style="list-style-type: none"> <li>1. In terms of rural revitalization matters in the charge of the department, including system analyse, process management and specific implementation;</li> <li>2. Collect statistics on public welfare activities, including donation amount and materials;</li> <li>3. Submit above-mentioned text and data information.</li> </ol>

---

**BUSINESS**

---

Department	Corresponding ESG issues	ESG Management Responsibilities
Engineering Management Department	B5 Supply Chain Management	<ol style="list-style-type: none"> <li>1. Identify and follow major national and local laws and regulations regarding suppliers as well as internal system related to internal procurement;</li> <li>2. Manage the Company’s procurement matters, including system analyse, process management and specific implementation;</li> <li>3. Summarize suppliers’ relevant data, including the number of suppliers introduced from sub-regions, the number of suppliers reviewed, etc.</li> <li>4. Submit above-mentioned text and data information.</li> </ol>
	B6 Product Responsibility	<ol style="list-style-type: none"> <li>1. In terms of customer complaint handling, including system analyse, process management and specific implementation;</li> <li>2. Submit above-mentioned text and data information.</li> </ol>

**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.

---

## BUSINESS

---

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:

### *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.



---

## BUSINESS

---

### 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.

---

## BUSINESS

---

- **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:

<b>Type of risk</b>	<b>Description of risk</b>	<b>Management strategy and countermeasures</b>
<i>Physical risk</i>		
Short-term risk	Extreme weather and natural disasters affect our normal operation near construction work environment;	<ul style="list-style-type: none"> <li>• Develop construction work standards under extreme weather, and develop contingency plans for extreme weather;</li> </ul>
Long-term risk	<p>The Company needs to have more refrigeration equipment in place due to higher temperature, leading to higher operation costs;</p> <p>Employees may be unable to work outdoors for a long time when the temperature is very high, thus affecting our operating efficiency;</p>	<ul style="list-style-type: none"> <li>• Use more energy-efficient refrigeration equipment;</li> <li>• Develop production plans in a more reasonable manner, carefully deploy production organizations, enhance operating efficiency;</li> </ul>

---

**BUSINESS**

---

<b>Type of risk</b>	<b>Description of risk</b>	<b>Management strategy and countermeasures</b>
<i>Transition risk</i> 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;	<ul style="list-style-type: none"> <li>• Actively learn about compliance requirements and implement various management measures;</li> <li>• Continuously strengthen internal management to deal with monitoring from the national inspection group of environmental protection and local governments;</li> </ul>
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;	<ul style="list-style-type: none"> <li>• Research new technologies and equipment cooperation methods;</li> <li>• Improve our own ability to research and develop new technologies and new equipment;</li> </ul>
Reputational risk	Poor performance in addressing climate change and achieving sustainable development leads to negative feedback from stakeholders.	<ul style="list-style-type: none"> <li>• Improve the Company’s sustainable development capability, establish effective communication channels with stakeholders to maintain continued communication, and actively address climate change.</li> </ul>

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 ledger 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.

---

## BUSINESS

---

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 [REDACTED] 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;

## BUSINESS

### 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
<b>Exhaust emissions</b>	tonnes	1.0	1.7	1.7	0.9
<b>Total greenhouse gas emissions</b>	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
<b>Hazardous waste emission</b>	tonnes	41.1	36.1	47.5	8.3
Hazardous waste emission intensity	tonnes/million RMB	0.0041	0.0027	0.0037	0.0016
					<b>From January 1, 2023 to June 30, 2023</b>
<b>Energy consumption</b>	<b>Unit</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Energy consumption</b>	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

## BUSINESS

Water consumption	Unit	2020	2021	2022	From
					January 1, 2023 to June 30, 2023
<b>Total</b>	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 document.

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 <sub>2</sub> equivalent/RMB ten thousand	0.1502 tonnes/RMB ten thousand	Not disclosed	9.97 tonnes of CO <sub>2</sub> equivalent/HKD million	922 tonnes/RMB million of operating income	5.71 tonnes of CO <sub>2</sub> equivalent/person
A1.3 Hazardous waste emission intensity	0.000037 tonnes/RMB ten thousand	0.012 kg/RMB ten thousand	7.17*10 <sup>-8</sup> 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 <sup>3</sup> /RMB ten thousand income	0.68 tonnes/RMB ten thousand	79.2 m <sup>3</sup> /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”, “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”.

---

## BUSINESS

---

### *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.

---

## BUSINESS

---

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.



---

## BUSINESS

---

### *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

---

## BUSINESS

---

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.

---

## BUSINESS

---

### 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

---

## BUSINESS

---

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 comprehensively 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 grassroots 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”.

---

## BUSINESS

---

### 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 document 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 797,369.4 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.

---

## BUSINESS

---

### ***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.

---

## BUSINESS

---

### *“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. 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

---

## BUSINESS

---

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 in the subsection headed “Accounting Treatment of “building for debt-paying” agreements” 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.

### *Accounting Treatment of “building for debt-paying” agreements*

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 and shall be measured and accounted for in accordance with other relevant requirements. 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.



## BUSINESS

---

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**”).

**BUSINESS**

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:

	Number of buildings subject to the completion of the ownership transfer procedures		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 (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	NA
Deduction (transfer out of the Group)	(2)	-	NA	NA	NA	10,397,510	-	3, 4
<b>As at December 31, 2020</b>	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	-	-	-
<b>As at December 31, 2021</b>	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
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	NA
<b>As at December 31, 2022</b>	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	-	-	-
<b>As at June 30, 2023</b>	31	63	87,242,970	68,400,699	-	17,219,709	20,490,342	13

---

## BUSINESS

---

*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.

## BUSINESS

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:

	<b>Number of building subject to the completion of the ownership transfer procedures</b>		
	<b>Recognized in the Group’s financial statement</b>	<b>Not yet recognized in the Group’s financial statement</b>	<b>Total</b>
<b>As at January 1, 2020</b>	36	–	36
Addition	–	–	–
Deduction	(2)	–	(2)
<b>As at December 31, 2020</b>	34	–	34
Addition	1	–	1
Deduction	–	–	–
<b>As at December 31, 2021</b>	35	–	35
Addition	–	91	91
Deduction	(4)	(28)	(32)
<b>As at December 31, 2022</b>	31	63	94
Addition	–	–	–
Deduction	–	–	–
<b>As at June 30, 2023</b>	31	63	94

## BUSINESS

### 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 <i>(RMB million)</i>	As at December 31, 2021 <i>(RMB million)</i>	As at December 31, 2022 <i>(RMB million)</i>	As at June 30, 2023 <i>(RMB million)</i>
<b>Contractee A</b>	26.4	23.8	29.1	29.1 <i>(note 2)</i>
<b>Contractee B</b>	1.9	1.9	–	–
<b>Contractee C</b>	8.8	3.0	–	–
<b>Contractee D</b>	0.6	–	–	–
<b>Contractee E</b>	98.4	20.9	78.6	78.6 <i>(note 3)</i>

*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.

---

## BUSINESS

---

### *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 properties are safe. 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.

---

## BUSINESS

---

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;

---

## BUSINESS

---

- (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.



---

## BUSINESS

---

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

---

## BUSINESS

---

- (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

---

## BUSINESS

---

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), 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 lawsuit, 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**”). However, the

---

## BUSINESS

---

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. The Company has already paid RMB9.0 million to Plaintiff B, while the remaining RMB0.3 million was withheld due to current uncertainties and complications with Plaintiff B and Individual Y: (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 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.

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 low 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

---

## BUSINESS

---

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. 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.

---

## BUSINESS

---

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 labor laws and regulations; 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”.

---

## BUSINESS

---

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.

---

## BUSINESS

---

### *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



---

## BUSINESS

---

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 [REDACTED] 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.

---

## BUSINESS

---

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.

## BUSINESS

---

### *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.