

SUMMARY

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

OVERVIEW

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

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

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

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

OUR BUSINESS

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

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

SUMMARY

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

By project types:	For the year ended December 31,			For the six months ended June 30,	
	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	2022 (RMB'000) <i>(unaudited)</i>	2023 (RMB'000)
EPC projects					
• as main contractor	8,392,666	11,284,523	10,440,058	4,711,557	3,972,504
• as subcontractor	163,520	382,651	905,454	432,046	455,644
Sub-total:	<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>
Total:	<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>

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

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

SUMMARY

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

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

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

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

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

SUMMARY

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

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

SUMMARY

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	2022	2023	2023	
	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	11.6%	4,428,148	12.5%
PPP (including operating fee and interest income)	1,013,724	35.4%	721,861	257,746	35.7%	181,227	71.4%
Non-Construction Business ^(Note)	578,710	35.6%	889,334	379,210	42.6%	423,103	27.6%
Total	10,148,620	14.1%	13,278,369	1,747,928	13.2%	5,248,033	14.7%
				1,842,046	842,258	785,994	15.0%

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

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

SUMMARY

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

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

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

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

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

OUR CUSTOMERS

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

SUMMARY

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

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

OUR SUPPLIERS

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

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

OUR STRENGTHS

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

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

SUMMARY

OUR STRATEGIES

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

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

SUMMARY OF KEY FINANCIAL INFORMATION

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

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

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

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

SUMMARY

Summary Consolidated Statements of Cash Flows

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

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

Summary Consolidated Statements of Financial Position

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

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

SUMMARY

Key Financial Ratios

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

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

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

SERVICE CONCESSION ARRANGEMENTS

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

OUR CONTROLLING SHAREHOLDER

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

CONTINUING CONNECTED TRANSACTIONS

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

LEGAL AND NON-COMPLIANCE

During the Track Record Period, we did not have any fatal incidents and we had not experienced accidents causing permanent disability. We were involved in (1) a shareholders dispute with a former individual shareholder in relation to the transfer of shares; (2) certain non-compliance events in labor dispatching and inadequate contribution to the social insurance

SUMMARY

plan and housing provident fund; (3) a number of pending litigation cases where we are the defendant and the maximum liability of each case is likely to be over RMB10 million; (4) issues with a transfer of an EPC project in Australia; and (5) certain non-compliance events in bidding procedures.

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

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

[REDACTED]

We estimate that we will receive [REDACTED] of HK\$[REDACTED] million from the [REDACTED], assuming that an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the indicative [REDACTED]) and the [REDACTED] is not exercised, and after deducing the [REDACTED] and other estimated expenses payable by us in connection with [REDACTED]. We intend to use such [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED]% (or HK\$[REDACTED] million), to be used for financing new energy projects. To implement the development strategy of “investment diversification and the integration of investment, construction and operation”, we intend to apply the proceeds allocated hereunder for equity investments for new energy project. We intend to cooperate with other private entities in investing in and building privately-owned facilities and generate profit through the operation of such facilities.
- approximately [REDACTED]% (or HK\$[REDACTED] million), to be used for financing our equity investment commitment under current and future PPP projects and construction projects of the Company such as clean heating, distributed energy, solid waste disposal and water treatment.
- approximately [REDACTED]% (or HK\$[REDACTED] million), to be used for financing new energy projects of upstream and downstream manufacturing industries, including: (i) approximately [REDACTED]% to be used for our heavy-steel structure plant base; and (ii) approximately [REDACTED]% to be used for financing our future equity investment in other upstream and downstream manufacturing industries, for example, equity investment in industrial park with production line for construction equipments.
- approximately [REDACTED]% (or HK\$[REDACTED] million), to be used for working capital and general corporate purposes.

We intend to utilize the [REDACTED] from the [REDACTED] within two to three years from the date of [REDACTED]. For further details, please refer to the section headed “Future Plans and Use of [REDACTED]”.

SUMMARY

DIVIDEND

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

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

HIGHLIGHTS OF RISK FACTORS

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

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

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

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

SUMMARY

[REDACTED]

We estimate that our total [REDACTED] in relation to this [REDACTED] will be approximately RMB[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], (including [REDACTED] of approximately RMB[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], and [REDACTED] expenses of approximately RMB[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], which consist of fees and expenses for legal advisors and accountants of approximately RMB[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], and other fees and expenses of approximately RMB[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED]) (based on the midpoint of our [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised), of which a total amount of RMB[REDACTED] million is directly attributable to the [REDACTED] of our H Shares and will be deducted from equity. The remaining RMB[REDACTED] million had been and will be charged to the consolidated statement of comprehensive income. Among which, we incurred [REDACTED] in relation to the [REDACTED] of RMB[REDACTED] million during the Track Record Period, and the rest will be charged to the consolidated statement of comprehensive income for the year ending December 31, 2023.

[REDACTED] STATISTICS

All statistics in this table are based on the assumption that the [REDACTED] is not exercised.

	Based on the [REDACTED] of HK\$[REDACTED] per Share after [REDACTED]	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
	HK\$[REDACTED] million	HK\$[REDACTED] million	HK\$[REDACTED] million
[REDACTED] of the Shares ¹ [REDACTED] adjusted consolidated net tangible assets per Share ²	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on the assumption that [REDACTED] Shares will be in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), including [REDACTED] H Shares to be issued pursuant to the [REDACTED].
- (2) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share in the above table is calculated after the adjustments referred to in the section headed “Unaudited [REDACTED] Statement of Adjusted Net Tangible Assets” set out in “Appendix II – [REDACTED] Financial Information” to this document and on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised.

IMPACT OF COVID-19

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

SUMMARY

RECENT DEVELOPMENT

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

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

Regulatory Updates on Overseas [REDACTED] and Cybersecurity Regulations

Overseas [REDACTED]

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

SUMMARY

the expiration of the approval; while we still need to fulfill the filing procedures for the [REDACTED] under the requirements of the Measures for Overseas Offering and Listing when our Company fails to complete the [REDACTED] before the expiration of the approval.

Cyber Securities Regulations

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

NO MATERIAL ADVERSE CHANGE AS CONFIRMED BY DIRECTORS

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