
SUMMARY

This summary aims to give you an overview of the information contained in this document. As this 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 before you decide to invest in the [REDACTED]. There are risks associated with any investment. Your investment decision should be made in light of these considerations.

OVERVIEW

Established in 2017, we are a growing private general contracting construction enterprise in the PRC and have been granted five first-grade construction contracting qualifications, including (i) the first-grade qualification in building construction general contracting (建築工程施工總承包一級); (ii) the first-grade qualification in municipal and public construction general construction (市政公用工程施工總承包一級); (iii) the first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包一級); (iv) the first-grade qualification in building electrical and mechanical installation and engineering specialised contracting (建築機電安裝工程專業承包一級); and (v) the first-grade qualification in building renovation and decoration construction specialised contracting (建築裝修裝飾工程專業承包一級). We also attain six second-grade and third-grade construction contracting qualifications covering different specialisations such as petrochemical engineering construction, steel structure construction and environmental protection construction. We were the recipient of the award named “Top 500 Enterprises in Shenzhen” (深圳500強企業) for 2020, 2021 and 2022.

We have strategically focused on municipal and public construction works in Guangdong Province to build up our reputation and market share and have established a firm foothold in Guangdong Province with footprints in Henan Province, Sichuan Province, Fujian Province, Hubei Province, Zhejiang Province and Xinjiang Uygur Autonomous Region. According to the Frost & Sullivan Report, we ranked top 50 out of over 10,000 private construction companies headquartered in Guangdong Province in terms of revenue in 2022 and the size of the construction industry in Guangdong Province to the overall PRC market in 2022 is approximately 8.2% in terms of revenue.

We primarily acted as a general contractor or subcontractor for our construction projects during the Track Record Period. We provide our customers with professional and comprehensive construction services. Generally, we are responsible for the overall coordination and management of a construction project, which cover workplan formulation, labour recruitment, leasing of equipment and machinery, procurement of construction raw materials and quality and construction progress control. We generally identify construction projects through (i) open tender; (ii) invitation by existing customers or industry participants; and (iii) corporate negotiation. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our tender success rate was approximately 1.5%, 1.0% 0.9% and 1.1%, respectively. For details, please refer to the section headed “Business — Our Business operations and services — Operating workflow” in this document.

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Our projects encompass a wide range of construction works, including (i) construction engineering works; (ii) municipal and public construction works; (iii) foundation engineering works; and (iv) specialised contracting works.

The following table sets forth the breakdown of our revenue and gross profit margin by project type for the years/periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2020			2021			2022			2022			2023		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
Construction projects															
Construction engineering projects	625,968	47.0	5.2	779,248	57.9	5.2	763,321	55.4	6.1	194,213	52.2	5.7	279,378	56.4	6.3
Municipal and public construction projects	646,234	48.5	4.8	489,206	36.3	5.8	403,793	29.3	5.3	147,837	39.8	6.1	92,850	18.7	4.7
Foundation engineering projects	35,092	2.6	4.5	60,539	4.5	4.7	53,597	3.9	5.4	1,776	0.5	5.2	53,732	10.8	5.9
Specialised contracting projects	23,910	1.9	5.0	17,226	1.3	0.3	157,344	11.4	5.2	28,031	7.5	5.5	69,820	14.1	4.9
Total	<u>1,331,204</u>	<u>100.0</u>	5.0	<u>1,346,219</u>	<u>100.0</u>	5.3	<u>1,378,055</u>	<u>100.0</u>	5.7	<u>371,857</u>	<u>100.0</u>	5.8	<u>495,780</u>	<u>100.0</u>	5.8

Construction engineering projects primarily consist of structural and/or engineering works such as building, piling, demolition and site formation for commercial and residential buildings. Municipal and public construction projects primarily consist of all urban and rural public infrastructure construction, including but not limited to environment improvement works, construction of sewage treatment infrastructure and roadwork. Foundation engineering projects primarily consist of earthwork and foundation construction and slope protection work, which are all underground engineering, the design and quality of foundation engineering closely related to the safety of the building. Specialised contracting projects represent the specialised construction works outsourced by the general contractor, which require strong professionalism and primarily consist of building renovation and decoration works services.

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The following table sets out the movement in the number of projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the six months ended 30 June	From 1 July 2023 to the Latest Practicable Date
	2020	2021	2022	2023	Date
Number of opening projects					
Construction engineering projects	14	18	18	24	37
Municipal and public projects	33	36	35	37	41
Foundation engineering projects	4	1	3	12	10
Specialised contracting projects	2	3	1	13	7
	53	58	57	86	95
Add: Number of new projects					
Construction engineering projects	9	13	16	19	1
Municipal and public projects	42	34	23	11	1
Foundation engineering projects	1	2	9	5	—
Specialised contracting projects	3	5	14	—	—
	55	54	62	35	2
Less: Number of completed projects					
Construction engineering projects	5	13	10	6	—
Municipal and public projects	39	35	21	7	—
Foundation engineering projects	4	—	—	7	—
Specialised contracting projects	2	7	2	6	—
	50	55	33	26	—
Number of ongoing projects as of the end of the year/period					
Construction engineering projects	18	18	24	37	38
Municipal and public projects	36	35	37	41	42
Foundation engineering projects	1	3	12	10	10
Specialised contracting projects	3	1	13	7	7
	58	57	86	95	97

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Backlog and new contract sum

The following table sets forth the movement in the aggregate contract sum of backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	Construction engineering projects	Municipal and public projects	Foundation engineering projects	Specialised contracting projects	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>For the year ended 31 December 2020</i>					
Opening aggregate contract sum of backlog	960,564	292,972	36,023	6,090	1,295,649
Add: new construction projects contracted	481,502	720,275	21,174	18,875	1,241,826
Add: adjustment/variation orders	198,436	5,189	(2,141)	5,825	207,309
Less: revenue recognised	<u>625,968</u>	<u>646,234</u>	<u>35,092</u>	<u>23,910</u>	<u>1,331,204</u>
Closing aggregate contract sum of backlog	<u>1,014,534</u>	<u>372,202</u>	<u>19,964</u>	<u>6,881</u>	<u>1,413,582</u>
<i>For the year ended 31 December 2021</i>					
Opening aggregate contract value of backlog	1,014,534	372,202	19,964	6,881	1,413,582
Add: new construction projects contracted	432,569	353,483	48,178	52,572	886,801
Add: adjustment/variation orders	25,259	(8,676)	349	254	17,186
Less: revenue recognised	<u>779,248</u>	<u>489,206</u>	<u>60,539</u>	<u>17,227</u>	<u>1,346,219</u>
Closing aggregate contract sum of backlog	<u>693,114</u>	<u>227,803</u>	<u>7,951</u>	<u>42,481</u>	<u>971,349</u>
<i>For the year ended 31 December 2022</i>					
Opening aggregate contract sum of backlog	693,114	227,803	7,951	42,481	971,349
Add: new construction projects contracted	956,696	357,962	81,120	269,735	1,665,513
Add: adjustment/variation orders	94,897	14,608	(35)	(72)	109,398
Less: revenue recognised	<u>763,321</u>	<u>403,793</u>	<u>53,597</u>	<u>157,344</u>	<u>1,378,055</u>
Closing aggregate contract sum of backlog	<u>981,386</u>	<u>196,580</u>	<u>35,439</u>	<u>154,800</u>	<u>1,368,205</u>
<i>For the six months ended 30 June 2023</i>					
Opening aggregate contract sum of backlog	981,386	196,580	35,439	154,800	1,368,205
Add: new construction projects contracted	254,125	289,553	72,041	—	615,719
Add: adjustment/variation orders	(10,742)	(19,132)	6,302	(1,788)	(25,360)
Less: revenue recognised	<u>279,378</u>	<u>92,850</u>	<u>53,732</u>	<u>69,820</u>	<u>495,780</u>
Closing aggregate contract sum of backlog	<u>945,391</u>	<u>374,151</u>	<u>60,050</u>	<u>83,192</u>	<u>1,462,784</u>
<i>From 1 July 2023 to the Latest Practicable Date</i>					
Opening aggregate contract sum of backlog	945,391	374,151	60,050	83,192	1,462,784
Add: new construction projects contracted	365,808	184,824	—	—	550,632
Add: adjustment/variation orders	—	—	—	—	—
Less: revenue recognised	<u>69,589</u>	<u>44,258</u>	<u>14,076</u>	<u>7,701</u>	<u>135,624</u>
Closing aggregate contract sum of backlog	<u>1,241,610</u>	<u>514,717</u>	<u>45,974</u>	<u>75,491</u>	<u>1,877,792</u>

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Project suspension and delays

Project #25, a construction engineering project situated in Henan Province with a contract value (excluding VAT) of approximately RMB291.6 million was suspended from December 2020 to October 2022 as Customer C had financial difficulties due to COVID-19. The aggregate revenue generated from Project #25 during the Track Record Period amounted to approximately RMB76.2 million. For details, please refer to Note 3.1(b) of the Accountant’s Report in Appendix I to this document.

Saved as disclosed above and the paragraph headed “Recent development — Impact of the COVID-19 pandemic” in this section, none of the construction projects carried out by our Group experienced material suspensions or delays during the Track Record Period and up to the Latest Practicable Date.

COMPETITIVE STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors: (i) we attain a range of first-grade qualifications and licenses in the construction contracting industry, which allow us to undertake a diverse range of works for construction projects; (ii) we have developed in-depth undertaking of needs and demands of government departments through interaction in municipal and public construction projects; (iii) our Group is led by a vibrant, dedicated and professional management team and a team of experienced project managers; and (iv) we have adopted comprehensive and stringent occupational safety and quality control systems. For details, please refer to the section headed “Business — Our strengths” in this document.

BUSINESS STRATEGIES

We strive to achieve sustainable growth in our current business and to further strengthen our overall competitiveness in construction services in the PRC by implementing the following business strategies: (i) continue to expand our construction business by enhancing our financing capabilities to undertake more projects and diversifying and expanding our client base; (ii) strengthen budget management and cost control to improve our rate of return; (iii) maintain conservative financial management; (iv) further strengthen our manpower; and (v) purchase of construction machinery and equipment. For details, please refer to the section headed “Business — Business strategies” in this document.

BUSINESS SUSTAINABILITY

There may be possibilities that we may experience temporary net cash outflows in the ordinary course of our business operation. For instance, we recorded cash outflow in operations for the year ended 31 December 2020 and 2021 and the six months ended 30 June 2023, as we have been focusing on building up our reputation and market share via active tendering and delivering consistently high-quality services, rather than seeking immediate financial returns or profitability, in order to build a solid foundation for long-term development. Our future profitability and liquidity

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are subject to various factors, including recoverability of our contract assets and trade receivables and continuous grow in revenue by identifying and exploring new opportunities. For details regarding the associated risks, please refer to the section headed “Risk Factor” in this document. Our Directors are of the view that our Group’s business is sustainable taken into account the following factors and basis:

(i) *Our positive financial performance*

Our profit for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023 was approximately RMB13.6 million, RMB28.1 million, RMB25.3 million and RMB10.8 million, respectively.

Our Group has continuous growth in revenue. Our revenue increased from approximately RMB1,331.2 million for the year ended 31 December 2020 to approximately RMB1,346.2 million for the year ended 31 December 2021 and further increased to approximately RMB1,378.1 million for the year ended 31 December 2022.

Our Directors believe that our financial condition, our proven track record and our broad coverage of qualification have assisted our Group in bidding for significant new projects and have given us a competitive edge in new projects and business opportunities.

(ii) *Favourable future market developments*

According to the Frost & Sullivan Report, the market size of the construction industry in the PRC and Guangdong Province are expected to grow steadily from 2022 to 2027 and the total revenue of the construction market in Guangdong Province is expected to further increase mainly driven by the continuous development of large-scale construction projects in the PRC and favourable policies supporting the growth of the construction industry. For further details of the growth in output value and revenue of the PRC construction industry, please refer to the section headed “Industry Overview — Overview of the construction industry in the PRC and Guangdong Province” in this document.

As a growing company, we are well-placed to take advantage of the increasing trend in the demand on residential, industrial, and commercial building construction projects, public works, as well as civil engineering constructions in the coming years, to achieve growth in revenue and profit leveraging our first-grade qualifications and licenses, our developed in-depth understanding of needs and demands of government departments and our vibrant, dedicated and professional management team and experienced project managers.

(iii) *Continuous progress in securing projects and diversify and expand our client base*

Subsequent to the Track Record Period and up to the Latest Practicable Date, two new construction contracts, one was from public sector and the other one from private sector, with an aggregate contract value of RMB550.6 million were awarded to our Group and, as at the Latest Practicable Date, we had a total of 97 ongoing projects with an aggregate contract value of

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RMB4,481.2 million. The continuous progress in securing projects shows our Group’s ability to sustain in the market. Furthermore, even though the depressed property industry in the PRC has a negative impact on the growth of construction industry, our Group was able to maintain its gross profit at a stable level. Further, according to the Frost & Sullivan Report, the downturn of the PRC property industry has less impact on companies from the public sector. Our Directors believe that we have built resilience amid the industry trend by leveraging the synergy among our ability to continuously secure projects from both public and private sectors and expand our customer base through procuring new customers including landowners, property developers and general contractors.

Our Directors believe that our stable relationships with our customers and our proven track record could increase our competitiveness in tendering, and coupled with the [REDACTED] status, we will be able to capture the expected market growth in the future. For further details of our competitive strengths, please refer to the section headed “Business — Our strengths” in this document.

(iv) *Enhancing working capital efficiency*

Cashflow management is essential to our operation. We require an ample amount of working capital to run our daily operations. Our monthly operating expenses primarily comprise of subcontracting cost, cost of materials, staff costs and administrative expenses. It is crucial for us to fulfil our payment obligations, in particular payments to our workers and suppliers. During the Track Record Period and up to the Latest Practicable Date, we experienced delay in payment from certain customers which had an effect on our operation and our financial position. To meet our cashflow needs, we also intend to apply approximately [REDACTED]% of our [REDACTED] to finance our designated projects. Also, in line with industry practice, we generally have cash outflow at the early stage of a project and 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 receiving payments from our customers, resulting in possible cash flow mismatch.

To further enhance our cashflow management, we pay close attention to the payment progress for our projects. For projects with payment falls behind by a certain threshold, our finance department would forewarn against approving and undertaking projects with the relevant customer. While for projects that have been completed, we review the settlement progress and collectively come up with solutions to enhance the collection of unsettled payments.

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 RMB96.8 million as at 30 June 2023. As at the Latest Practicable Date, our cash and cash equivalents amounted to approximately RMB127.9 million.

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OUR CUSTOMERS AND SUPPLIERS

Our customers mainly include government departments, SOEs, and listed and private enterprises. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the total revenue attributable to our five largest customers amounted to approximately RMB905.1 million, RMB759.2 million, RMB771.3 million and RMB226.9 million, representing approximately 67.9%, 56.5%, 56.0% and 45.9% of our total revenue respectively, while the total revenue attributable to our largest customer for the same period amounted to approximately RMB274.8 million, RMB281.5 million, RMB205.8 million and RMB66.7 million, representing approximately 20.6%, 20.9%, 14.9% and 13.5% of our total revenue, respectively. For details, please refer to the section headed “Business — Customers, sales and marketing — Customers” in this document.

Our suppliers include raw materials suppliers, machinery and equipment leasing service suppliers, labour subcontractors and specialised construction subcontractors. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the total purchase from our largest five suppliers amounted to approximately RMB363.7 million, RMB346.4 million, RMB262.7 million and RMB109.1 million respectively, accounting for approximately 28.9%, 27.2%, 20.3% and 23.4% of our total purchase, respectively, while the total purchase from our largest supplier for the same period amounted to approximately RMB171.9 million, RMB192.9 million, RMB97.6 million and RMB28.4 million, representing approximately 13.6%, 15.2%, 7.5% and 6.1% of our total purchase, respectively. For details, please refer to the section headed “Business — Raw materials, machinery and equipment, and subcontracting suppliers — Suppliers” in this document.

Relationship with major customers that were also our suppliers during the Track Record Period

Shenzhen Huachuang Building Decoration Co., Ltd.* (深圳華創建築裝飾股份有限公司) (“**Shenzhen Huachuang**”), which is principally engaged in the provision of construction contracting work services and the sale of construction materials in the PRC, had been both a customer and supplier of our Group during the Track Record Period. We provided construction engineering and specialised contracting services to Shenzhen Huachuang and engaged Shenzhen Huachuang for the provision of the raw materials and construction services. Zhongjian Hetu Construction Co., Ltd.* (中建河圖建設有限公司) (“**Zhongjian Hetu**”), which is principally engaged in the provision of construction contracting work services in the PRC, had also been both a customer and supplier of our Group during the Track Record Period. We provided foundation engineering and specialised contracting services to Zhongjian Hetu and engaged Zhongjian Hetu for the provision of construction contracting work services. For details, please refer to the section headed “Business — Customers, sales and marketing — Relationship with major customers that were also our suppliers during the Track Record Period” in this document.

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RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. The more significant risks relating to our business include: (i) our revenue is mainly derived from projects that are not recurring in nature and we are subject to the risks associated with competitive tendering process; (ii) during the Track Record Period, our Group experienced an increase in trade receivables and trade receivables turnover days and any delays or defaults of progress payments and/or release of retention monies by our customers may expose our Group to considerable credit risk; (iii) we recorded net cash used in operating activities during the Track Record Period, which may expose us to certain liquidity risks and could constrain our operational flexibility; (iv) our cash flows may deteriorate due to potential mismatch in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers; and (v) we are subject to recoverability of our contract assets and our construction business is subject to a relatively long cash conversion cycle. For details, please refer to the section headed “Risk factors” in this document.

PRICING POLICY

We generally provide price quotations in our tender documents or engage in price negotiations with customers. For tendering projects, the tender documents typically provide a ceiling price of bidding based on a list of items and works for the completion of the construction projects (工程量清單), and our bid price is usually set with a discount rate based on such ceiling price of bidding. For corporate negotiation projects, customer will provide a list of items and works for the completion of the construction projects (工程量清單), and we may prepare a budget proposal based on such information and our pricing is generally determined on a cost-plus model with a markup. For details, please refer to the section headed “Business — Customers, sales and marketing — Pricing policy” in this document.

COMPETITIVE LANDSCAPE

The output value of the construction industry in China has reached approximately RMB31.2 trillion in 2022 from approximately RMB22.6 trillion in 2018, representing a CAGR of approximately 8.4%. It is anticipated that the output value of the construction industry will grow at a CAGR of approximately 6.5% from 2022 to 2027, reaching approximately RMB42.7 trillion by 2027.

The construction industry in the PRC is highly fragmented, though the leading construction enterprises in the PRC are dominated by SOEs. In terms of construction revenue in the PRC in 2022, private construction enterprises accounted for approximately 35.2% market share. In terms of construction revenue among all private construction enterprises in 2022, the top five private construction enterprises accounted for approximately 4.2% market share, according to the Frost & Sullivan Report. In 2022, the market size of the construction industry in Guangdong Province was approximately 8.2% to the overall PRC market, in terms of revenue. The construction market in

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Guangdong Province is highly fragmented, with top five private construction enterprises in Guangdong Province accounted for approximately 15.0% market share in terms of revenue among all private construction enterprises in Guangdong Province in 2022.

KEY OPERATIONAL AND FINANCIAL DATA

The following is a summary of our operational and financial information for the Track Record Period and should be read in conjunction with our financial information in the accountant’s report set out in Appendix I to this document.

Highlights of our consolidated statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	1,331,204	1,346,219	1,378,055	371,857	495,780
Cost of revenue	<u>(1,264,765)</u>	<u>(1,274,971)</u>	<u>(1,299,130)</u>	<u>(350,199)</u>	<u>(467,233)</u>
Gross profit	66,439	71,248	78,925	21,658	28,547
Profit/(loss) before income tax	19,200	39,095	38,262	(4,614)	15,228
Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to owners of the Company	<u>13,559</u>	<u>28,076</u>	<u>25,325</u>	<u>(4,381)</u>	<u>10,787</u>

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, we recorded revenue of approximately RMB1,331.2 million, RMB1,346.2 million, RMB1,378.1 million and RMB495.8 million, respectively. The increase in revenue for the year ended 31 December 2021 was primarily due to the increase in revenue derived from construction engineering projects of approximately RMB153.3 million, partially offset by the decrease in revenue derived from municipal and public construction projects of approximately RMB157.0 million. The increase in revenue for the year ended 31 December 2022 was primarily due to the increase in revenue derived from specialised contracting projects of approximately RMB140.1 million, partially offset by the decrease in revenue derived from construction engineering projects of approximately RMB15.9 million and municipal and public construction projects of approximately RMB85.4 million. The increase in our revenue for the six months ended 30 June 2023 as compared to the corresponding period in 2022 was primarily due to the increase in revenue derived from construction engineering projects of approximately RMB85.2 million, foundation engineering projects of approximately RMB52.0 million and specialised contracting projects of approximately RMB41.8 million, partially offset by the decrease in revenue derived from municipal and public construction projects of approximately RMB55.0 million.

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Highlights of our consolidated balance sheet

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	26,632	25,592	24,915	30,880
Current assets	947,584	1,192,393	1,484,292	1,310,610
Current liabilities	874,263	1,081,004	1,180,996	1,003,078
Net current assets	73,321	111,389	303,296	307,532
Non-current liabilities	1,001	388	1,149	563
Net assets	98,952	136,593	327,062	337,849

Our net current assets increased from approximately RMB73.3 million as at 31 December 2020 to approximately RMB111.4 million as at 31 December 2021, primarily due to (i) the increase in contract assets of approximately RMB166.1 million; (ii) the increase in trade and bills receivables of approximately RMB43.6 million; and (iii) the decrease in contract liabilities of approximately RMB28.3 million partially offset by (i) the increase in trade and other payables of approximately RMB163.5 million; and (ii) the increase in amounts due to related parties of approximately RMB74.0 million. It was further increased to approximately RMB303.3 million as at 31 December 2022, primarily due to (i) the increase in contract assets of approximately RMB216.0 million; (ii) the decrease in amounts due to related parties of approximately RMB136.1 million; (iii) the increase in cash and cash equivalents of approximately RMB71.0 million; and (iv) the increase in deposits, other receivables and prepayments of approximately RMB44.2 million, partially offset by (i) the increase in trade and other payables of approximately RMB230.4 million; and (ii) the decrease in trade and bills receivables of approximately RMB53.2 million. It was further increased to approximately RMB307.5 million as at 30 June 2023, primarily due to the decrease in trade and other payables of approximately RMB171.7 million, which was partially offset by (i) the decrease in trade and bills receivables of approximately RMB86.3 million; (ii) the decrease in contract assets of approximately RMB52.4 million; (iii) the decrease in deposits, other receivables and prepayments of approximately RMB16.0 million; and (iv) the decrease in cash and cash equivalents of approximately RMB15.4 million. For further details, please refer to the section headed “Financial information — Liquidity and capital resources — Net current assets” in this document.

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Highlights of our consolidated statements of cash flows

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Operating profits before working capital changes</i>	49,252	47,483	43,370	14,136
Net cash (used in)/generated from operating activities	(23,982)	(61,069)	46,967	(4,783)
Net cash generated from/(used in) investing activities	6,506	(174)	(578)	(8,461)
Net cash generated from/(used in) financing activities	26,620	81,576	(24,560)	(2,101)
Net increase/(decrease) in cash and cash equivalents	9,144	20,333	70,949	(15,345)
Cash and cash equivalents at beginning of year/period	11,591	20,735	41,072	112,117
Exchange differences on cash and cash equivalents	—	4	96	(18)
Cash and cash equivalents at end of the year/period	20,735	41,072	112,117	96,754

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios during the Track Record Period:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
Current ratio	1.1 times	1.1 times	1.3 times	1.3 times
Quick ratio	1.1 times	1.1 times	1.3 times	1.3 times
Gearing ratio	N/A	N/A	N/A	N/A
Debt to equity ratio	Net cash	Net cash	Net cash	Net cash

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
Net profit margin	1.0%	2.1%	1.8%	2.2%
Return on equity	13.7%	20.6%	7.7%	N/A
Return on assets	1.4%	2.3%	1.7%	N/A

For further details, please refer to the section headed “Financial information — Key financial ratios” in this document.

SUMMARY

NON-COMPLIANCE

During the Track Record Period, we did not make contribution in full in respect of social insurance and housing provident funds for our employees (including existing and former employees), respectively. Our Directors are of the view that such non-compliance would not cause any material adverse financial and operational impact on us. For details, please refer to the section headed “Business — Legal and compliance matters — Non-compliance” in this document.

CONTROLLING SHAREHOLDERS AND THE [REDACTED] INVESTMENT

Immediately following completion of the [REDACTED] and the Capitalisation Issue, Zhongshen Hengtai will hold approximately [REDACTED]% of the issued share capital of our Company, where Zhongshen Hengtai is solely owned by Mr. Sang. As Zhongshen Hengtai and Mr. Sang are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at our Company’s general meeting, each of Zhongshen Hengtai and Mr. Sang is regarded as our Controlling Shareholder under the Listing Rules. For details, please refer to the section headed “Relationship with Controlling Shareholders” in this document. Upon [REDACTED], Xinyao Investment will hold [REDACTED]% of the issued share capital of our Company. Xinyao Investment is an investment holding company incorporated in the BVI and is solely owned by Ms. Hou who is a [REDACTED] investor and a private investor who has an extensive experience in communication engineering and electronic engineering research projects. For details, please refer to the section headed “History, Reorganisation and corporate structure” in this document.

FUTURE PLANS AND [REDACTED]

Our Directors intend to apply the [REDACTED] of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) from the [REDACTED] for the following purposes:

- approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of the [REDACTED] from the [REDACTED] will be used to fund our capital needs and cash flow of certain projects that have been awarded to us recently at the Latest Practicable Date;
- approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of the [REDACTED] from the [REDACTED] will be used to acquire certain machinery;

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- approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of the [REDACTED] from the [REDACTED] will be used to hire additional manpower; and
- approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of the [REDACTED] from the [REDACTED] will be used for working capital and other general corporate purposes.

For details, please refer to the section headed “Future plans and [REDACTED]” in this document.

RECENT DEVELOPMENT

Our business model and cost structure remained largely unchanged after the Track Record Period, and we will continue to actively secure new construction projects, especially in Guangdong Province and adjacent provinces. Subsequent to the Track Record Period and up to the Latest Practicable Date, we secured two new projects with an aggregate contract value of approximately RMB550.6 million. As at the Latest Practicable Date, we had a total of 97 projects on hand, including ongoing projects and projects undertaken by us but not yet commenced, with an aggregate contract value of approximately RMB4,481.2 million, and out of which, we acted as general contractor for 79 projects and as subcontractor for 18 projects.

The following table sets forth the details of our projects on hand, including ongoing projects and projects undertaken by us but not yet commenced, as at the Latest Practicable Date:

Number of projects on hand as at the Latest Practicable Date	Contract value	Revenue recognised up to the Track Record Period	Revenue recognised		Revenue expected to be recognised for subsequent to the Latest Practicable Date up to 31 December		
			from 1 July 2023 to the Latest Practicable Date	from 1 July 2023 to the Latest Practicable Date	for the year ending 2024	for the year ending 2025	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Construction projects							
Construction engineering projects	10	3,066,975	2,030,010	69,589	399,478	439,307	159,041
Municipal and public construction projects	38	1,068,211	517,603	44,258	225,388	284,801	2,466
Foundation engineering projects	7	140,937	80,885	14,076	42,146	3,830	—
Specialised contracting projects	42	205,120	121,928	7,701	36,672	29,550	12,939
Total	97	4,481,243	2,750,426	135,624	703,684	757,488	174,446

As at the Latest Practicable Date, none of the projects on hand have had any material interruption. Revenue expected to be recognised subsequent to the Latest Practicable Date up to 31 December 2023 and the years ending 31 December 2024 and 2025 represents our best estimate with reference to the (i) workplan of the project; (ii) revenue recognised during the Track Record Period; (iii) the work progress of the project; and (iv) our estimate on the customer’s progress of

SUMMARY

certification of our future works done. The estimated revenue excludes value of variation orders which has not been agreed with the customer (if any) and is thus inherently subject to great uncertainties.

Impact of the PRC property industry

According to the Frost & Sullivan Report, the PRC property industry had demonstrated a downward trend since 2021. Being in the upstream of the property industry chain, the PRC construction industry has also been considerably impacted and experienced a slowdown in the overall development pace in 2022. Please refer to the section headed “Industry overview — Recent impact on the development of the PRC property industry” for further details. The downturn in the PRC property industry may affect our customers’ business plans and financial positions, which may in turn affect our business. For details of the associated risks, please refer to the section headed “Risk factors — Our business and future growth are subject to the performances of the PRC property market” and “Risk factors — Our business could be affected by any adverse impact on the business of our Group’s customers” in this document. Despite the overall lower development pace of the PRC construction industry in 2022, our revenue increased from approximately RMB1,346.2 million for the year ended 31 December 2021 to approximately RMB1,378.1 million for the year ended 31 December 2022. Further, according to the Frost & Sullivan Report, the downturn of the PRC property industry has less impact on companies from the public sector. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our revenue derived from the public sector projects amounted to approximately RMB807.8 million, RMB578.2 million, RMB846.4 million and RMB291.5 million, respectively, representing approximately 60.7%, 42.9%, 61.4% and 58.8% of our total revenue, respectively. As we mainly derived our revenue from the public sector projects, our Directors are of the view that the downturn of the PRC property industry had not imposed any material financial or operational impact on us. Leveraging on our in-depth understanding of needs and demands of government departments through interaction in municipal and public construction projects and our reputation in the public sector, we expect that we will continue to generate revenue mainly from the public sector. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any delay or cancellation of our construction projects due to the downturn of the PRC property industry.

Impact of the COVID-19 pandemic

Since early 2020, the PRC and certain countries around the world encountered an outbreak of COVID-19. In order to reduce the risk of widespread of COVID-19, the PRC government announced to extend the Chinese New Year holiday in 2020 and delayed the resumption of work in the PRC. Different local governments of the PRC had also imposed temporary restrictions and measures on passenger traffic to control the spread of COVID-19. Due to the restrictions and measures, 50 of our constructions projects which were on-going at the relevant time had encountered suspension for around 19.0 days on average, all of which had resumed on or before 29 February 2020. As there is generally a lower level of construction activities during the first quarter of the year due to the seasonality factor, and based on the review of the status of all such projects,

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our Directors considered that the suspension did not result in material delays in our construction projects. Despite the outbreak of COVID-19 in 2020, we recorded a revenue of approximately RMB1,331.2 million for the year ended 31 December 2020.

In around March 2022, there was a resurgence of COVID-19 in certain areas of the PRC, temporary measures restricting certain business operation and activities were imposed in the affected areas from time to time, including Shenzhen and Minquan County where some of our construction projects were located. In late 2022, China began to modify its policy in relation to the COVID-19 and most of the travel restrictions and quarantine requirements were lifted in December 2022. From 1 March 2022 and up to 31 December 2022, 45 of our constructions projects which were on-going at the relevant time had encountered suspension for around 6.4 days on average, all of which had resumed on or before 5 September 2022. Despite the resurgence of COVID-19 in 2022, our revenue increased from approximately RMB1,346.2 million for the year ended 31 December 2021 to approximately RMB1,378.1 million for the year ended 31 December 2022. As at the Latest Practicable Date, none of our construction projects was suspended due to COVID-19 related measures imposed by the PRC government.

Our Directors confirmed that our suppliers and subcontractors resumed their business operation when we resumed construction works for our construction projects after the COVID-19 related measures had been lifted. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material disruption in the supply of raw materials, labour and subcontracting services from our suppliers due to the COVID-19 pandemic.

Based on the above, our Directors are of the view that the effect of the suspension of the affected construction projects on our Group’s financial position is relatively low as the suspension was relatively short in terms of duration and did not have material impacts on the progress of the affected construction projects. Accordingly, the COVID-19 pandemic has not resulted in a material adverse effect on the business or financial condition of our Group.

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

DIVIDEND

No dividend has been proposed and declared by our Group during the Track Record Period and up to the Latest Practicable Date. Our Group does not have a dividend policy or any predetermined dividend distribution ratio. The declaration of future dividends, and the amount of any dividends, will be subject to the recommendation by our Board at its discretion in accordance with our Articles of Association and will depend on a number of factors, including market conditions, our strategic plans and prospects, business opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, statutory and contractual restrictions on the payment of dividends by us and other factors that our Board considers relevant. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders.

SUMMARY

[REDACTED]

The total estimated [REDACTED] in connection with the [REDACTED] are approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED], of which approximately RMB[REDACTED] million is expected to be capitalised upon the [REDACTED]. The remaining estimated [REDACTED] amount to approximately RMB[REDACTED] million, of which (i) approximately RMB[REDACTED] million, RMB[REDACTED] million and RMB[REDACTED] million was recognised for the year ended 31 December 2021 and 2022 and the six months ended 30 June 2023, respectively; and (ii) approximately RMB[REDACTED] million is expected to be recognised as expenses for the six months ending 31 December 2023. Such total estimated [REDACTED] include (i) [REDACTED]-related expenses of HK\$[REDACTED] million; (ii) fees and expenses of legal advisers and reporting accountant of HK\$[REDACTED] million; and (iii) other fees and expenses of HK\$[REDACTED] million. The [REDACTED] above are the current estimate for reference only and the final amount to be recognised to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

OFFER STATISTICS

	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of our Share	HK\$[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share ^(Note)	HK\$[REDACTED]

Note: The unaudited pro forma adjusted net tangible assets per Share was calculated after adjustments as specified in “Appendix II — Unaudited pro forma financial information” to this document.