Application Proof of

Zhongshen Jianye Holding Limited
中深建業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(the "**Company**")

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Zhongshen Jianye Holding Limited
中深建業控股有限公司
(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
[REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of [REDACTED], SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$[0.01] per Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] and [REDACTED]

[LOGO] [LOGO] [LOGO] [LOGO]

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

Pursuant to the termination provisions contained in the [REDACTED], the [REDACTED] (for themselves and on behalf of the [REDACTED]) have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the [REDACTED] pursuant to the [REDACTED] at any time prior to 8:00 a.m. on the [REDACTED]. Further details of the terms of the termination provisions are set out in the section headed "[REDACTED] — [REDACTED] arrangements and expenses — [REDACTED] — Grounds for termination" in this document. It is important that you refer to that section for further details.

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IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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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.

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 (Unaudited)	%	%	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	1,331,204	100.0	5.0	1,346,219	100.0	5.3	1,378,055	100.0	5.7	371,857	100.0	5.8	495,780	100.0	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.

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**	
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

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
For the year ended 31 December 2020					
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	625,968	646,234	35,092	23,910	1,331,204
Closing aggregate contract sum of backlog	1,014,534	372,202	19,964	6,881	1,413,582
For the year ended 31 December 2021					
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	779,248	489,206	60,539	17,227	1,346,219
Closing aggregate contract sum of backlog	693,114	227,803	7,951	42,481	971,349
For the year ended 31 December 2022					
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	763,321	403,793	53,597	157,344	1,378,055
Closing aggregate contract sum of backlog	981,386	196,580	35,439	154,800	1,368,205
For the six months ended 30 June 2023					
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	279,378	92,850	53,732	69,820	495,780
Closing aggregate contract sum of backlog	945,391	374,151	60,050	83,192	1,462,784
From 1 July 2023 to the Latest Practicable Date					
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	69,589	44,258	14,076	7,701	135,624
Closing aggregate contract sum of backlog	1,241,610	514,717	45,974	75,491	1,877,792

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 diversifing 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 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

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.

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.

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

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 (Unaudited)	RMB'000
Revenue	1,331,204	1,346,219	1,378,055	371,857	495,780
Cost of revenue	(1,264,765)	(1,274,971)	(1,299,130)	(350,199)	(467,233)
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	13,559	28,076	25,325	(4,381)	10,787

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.

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 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.

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
Operating profits before working capital changes	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.

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;

- 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:

			Revenue recognised		Revenue expected to be recognised for		
	Number of projects on hand as at the Latest Practicable Date	Contract value	up to the Track Record Period	from 1 July 2023 to the Latest Practicable Date	subsequent to the Latest Practicable Date up to 31 December 2023	for the year ending 31 December 2024	2025
		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 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, 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.

[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.

DEFINITIONS

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

"Accountant's Report"	the accountant's report set out in Appendix I to this document
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specific person
"AFRC"	the Accounting and Financial Reporting Council
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on [●] and effective from the [REDACTED], a summary of which is set out in Appendix III to this document, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on [●]" in Appendix IV to this document
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]

"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED] Operational Procedures"	the operational procedures of [REDACTED] in relation to [REDACTED], containing the practices, procedures and administrative requirements relating to the operation and functions of [REDACTED] as from time to time in force
"[REDACTED]"	a [REDACTED], or a [REDACTED] or a [REDACTED]
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of our Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, the Macao Special Administrative Region and Taiwan
"Circular 13"	the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the SAFE on 13 February 2015 and became effective on 1 June 2015

"Circular 37"	the Circular on the Foreign Exchange Management of Offshore Investment and Financing and Round Trip Investment by Domestic Residents through Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which was promulgated by the SAFE and became effective on 4 July 2014
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Act" or "Cayman Companies Act"	the Companies Act, Cap. 22 (Act of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Zhongshen Jianye Holding Limited (中深建業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 2 February 2021
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. Sang and Zhongshen Hengtai
"COVID-19"	a respiratory illness that was first reported in December 2019 and officially named by the World Health Organisation as COVID-19
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets

"Deed of Indemnity"	a deed of indemnity dated [●] entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the section headed "D. Other information — 1. Tax and other indemnities" in Appendix IV to this document
"Director(s)"	the directors of our Company
"EIT"	the enterprise income tax of the PRC
"EIT Law"	the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法) as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	the report we commissioned Frost & Sullivan to prepare on the current status and forecasts of industries in which our Group operates
"GDP"	gross domestic product
"GHURD"	Bureau of Housing and Urban-Rural Development of Guangdong Province* (廣東省住房和城鄉建設廳)
"[REDACTED]"	the [REDACTED] to be completed by the [REDACTED] designated by our Company
"Group", "our Group", "we" or "us"	our Company and our subsidiaries, at the relevant time, or where the context so requires in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong

"[REDACTED]"	[REDACTED]
"[REDACTED]"	the [REDACTED] designated by our Company as specified in the [REDACTED] or on the designated website at **[REDACTED]**
"HKFRS"	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by Hong Kong Institute of Certified Public Accountants
"[REDACTED]"	[REDACTED], a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"[REDACTED]"	[REDACTED]
"Hong Kong" or "HK" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, our subsidiaries or any of their respective associates
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]

"Latest Practicable Date"	9 August 2023, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
"Lefu Capital"	Lefu Capital Limited (樂福資本有限公司), a company incorporated in Hong Kong with limited liability on 17 December 2020, an indirect wholly-owned subsidiary of our Company
"[REDACTED]"	[REDACTED]
"[REDACTED]"	the [REDACTED] of the Stock Exchange
"[REDACTED]"	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or modified from time to time
"M&A Rules"	the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定), which was jointly issued by six PRC regulatory agencies, namely, the MOFCOM, the State Assets Supervision and Administration Commission, SAT, SAIC, CSRC and SAFE on 8 August 2006 and became effective on 8 September 2006 and was amended by the MOFCOM on 22 June 2009
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company adopted on [●] with immediate effect and as amended from time to time
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"Mr. Sang"	Mr. Sang Xianfeng (桑先鋒), an executive Director, the Chairman and one of our Controlling Shareholders and co-founders
"Mr. Xian"	Mr. Xian Yurong (冼玉榮), an executive Director, the Chief Executive Officer and one of our substantial Shareholders and co-founders
"Ms. Hou"	Ms. Hou Ling (侯令女士), the sole beneficial owner of Xinyao Investment
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NDRC"	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"[REDACTED]"	HK$[REDACTED] per [REDACTED] (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), at which the [REDACTED] are to be subscribed for, to be determined as described in the section headed "Structure of the [REDACTED]" in this document
"[REDACTED]"	the [REDACTED] and the [REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	the conditional [REDACTED] of the [REDACTED] by the [REDACTED] for and on behalf of our Company with selected professionals, institutional and/or private investors, details of which are described in the section headed "Structure of the [REDACTED]" in this document

"[REDACTED]"	the [REDACTED] Shares initially offered pursuant to the [REDACTED], subject to reallocation as described in the section headed "Structure of the [REDACTED]" in this document
"[REDACTED]"	the [REDACTED] expected to be entered into on or about [●] among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] in respect of the [REDACTED], as further described in the section headed "[REDACTED]" in this document
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisers"	King & Wood Mallesons, our legal advisers as to the PRC laws
"[REDACTED] Investment"	the [REDACTED] investment in our Group pursuant to the capital increase agreement dated 19 November 2021 entered into among Zhongshen Jiangye, Lefu Capital, Mr. Sang and Mr. Xian and as described in "History, Reorganisation and corporate structure — [REDACTED] Investment" in this document
"[REDACTED]"	the offer for subscription of the [REDACTED] in Hong Kong at the [REDACTED] and on, and subject to, the terms and conditions of this document, as further described in the section headed "Structure of the [REDACTED]" in this document
"[REDACTED]"	the [REDACTED] new Shares being made available by our Company for subscription pursuant to the [REDACTED], subject to reallocation as described in the section headed "Structure of the [REDACTED]" in this document
"[REDACTED]"	the [REDACTED] listed in the section headed "[REDACTED] — [REDACTED]", being the [REDACTED] of the [REDACTED]

"[REDACTED]"	the [REDACTED] dated [●] entered into among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] in respect of the [REDACTED], as further described in the section headed "[REDACTED]" in this document
"[REDACTED]"	[REDACTED]
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for the [REDACTED], details of which are set out in "History, Reorganisation and corporate structure — Corporate Reorganisation" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局) (formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局))
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SCNPC"	The Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
"Share(s)"	ordinary share(s) of HK$[0.01] each in the share capital of our Company
"[REDACTED]"	the [REDACTED] and the [REDACTED]

"Shareholder(s)"	holder(s) of the Share(s)
"SOE(s)"	State-owned enterprise(s) which is/are wholly or partially owned by the PRC Government
"Sole Sponsor"	Kingsway Capital Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to our Company in respect of the [REDACTED]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"SZHCB"	Housing and Construction Bureau of Shenzhen Municipality (深圳市住房和建設局)
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"[REDACTED]"	the [REDACTED] of 1933, as amended from time to time
"[REDACTED]"	the [REDACTED] and the [REDACTED]
"[REDACTED]"	the [REDACTED] and the [REDACTED] Agreement
"VAT"	value-added tax

"Xinyao Investment"	Xinyao Investment Limited (鑫耀投資有限公司), a company incorporated in the BVI with limited liability on 16 November 2020, a shareholder of our Company and is solely and beneficially owned by Ms. Hou
"Zhongshen Chitai"	Zhongshen Chitai Capital Limited (中深持泰資本有限公司), a company incorporated in the BVI with limited liability on 22 January 2021, one of our substantial Shareholders and is solely and beneficially owned by Mr. Xian
"Zhongshen Ecological"	Zhongshen Jianye Ecological Construction (Shenzhen) Co., Ltd.* (中深建業生態建設(深圳)有限公司) (formerly known as Zhongjian Tiancheng Construction Development Co., Ltd.* (中建天成建設發展有限公司)), a company established in the PRC with limited liability on 9 June 2017 and an indirect wholly-owned subsidiary of our Company
"Zhongshen Hengtai"	Zhongshen Hengtai Capital Limited (中深亨泰資本有限公司), a company incorporated in the BVI with limited liability on 22 January 2021, one of our Controlling Shareholders and is solely and beneficially owned by Mr. Sang
"Zhongshen Jianye"	Zhongshen Jianye Construction Group Co., Ltd.* (中深建業建設集團有限公司) (formerly known as Zhongjian Shenye Construction Development Co., Ltd.* (中建深業建設發展有限公司)), a company established in the PRC with limited liability on 8 June 2017 and an indirect wholly-owned subsidiary of our Company
"Zhongshen Jianye (Huizhou)"	Zhongshen Jianye (Huizhou) Construction Co., Ltd.* (中深建業(惠州)建設有限公司), a company established in the PRC with limited liability on 3 August 2022 and an indirect wholly-owned subsidiary of our Company
"Zhongshen Jianye (Shenzhen)"	Zhongshen Jianye (Shenzhen) Construction Co., Ltd.* (中深建業(深圳)建設有限公司) (formerly known as Shenzhen Zhongshen Zhuohe Enterprise Management Co., Ltd.* (深圳市中深卓和企業管理有限公司)), a company established in the PRC with limited liability on 3 December 2021 and an indirect wholly-owned subsidiary of our Company
"Zhongshen Jianye Construction Design (Shenzhen)"	Zhongshen Jianye Construction Design (Shenzhen) Co., Ltd.* (中深建業建築設計(深圳)有限公司), a company established in the PRC with limited liability on 26 September 2022 and an indirect wholly-owned subsidiary of our Company

"Zhongshen Jianye Project Management (Shenzhen)"	Zhongshen Jianye Project Management (Shenzhen) Co., Ltd.* (中深建業項目管理(深圳)有限公司), a company established in the PRC with limited liability on 26 September 2022 and an indirect wholly-owned subsidiary of our Company
"Zhongshen Mingye"	Shenzhen Zhongshen Mingye Information Consulting Co., Ltd.* (深圳市中深明業信息諮詢有限公司), a company established in the PRC with limited liability on 2 December 2021 and an indirect wholly-owned subsidiary of our Company
"Zhongshen Technology"	Zhongshen Jianye Technology (Shenzhen) Co., Ltd.* (中深建業科技(深圳)有限公司) (formerly known as Shenzhen Shi-Feng Labour Service Co., Ltd.* (深圳市世豐勞務有限公司)), a company established in the PRC with limited liability on 12 June 2019 and an indirect wholly-owned subsidiary of our Company
"Zhongshen Xihe"	Zhongshen Xihe Enterprise Limited (中深熙和實業有限公司), a company incorporated in the BVI with limited liability on 22 February 2021 and a direct wholly-owned subsidiary of our Company
"Zhongshen Ximing"	Zhongshen Ximing Capital Limited (中深熙明資本有限公司), a company incorporated in Hong Kong with limited liability on 2 March 2021 and an indirect wholly-owned subsidiary of our Company
"Zhongshen Zhuhai"	Zhongshen (Zhuhai) Construction Co., Ltd.* (中深(珠海)建設有限公司), a company established in the PRC with limited liability on 18 September 2021 and an indirect wholly-owned subsidiary of our Company
"Zhongye Jiancai"	Shenzhen Zhongye Jiancai Co., Ltd.* (深圳市中業建材有限公司), a company established in the PRC with limited liability on 12 June 2019 and an indirect wholly-owned subsidiary of our Company
"%"	per cent

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

In this document, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars at an exchange rate of HK$1.0 = RMB0.8686 for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "" and the Chinese translation of company or entity names in English which are marked with "*" is for identification purpose only.*

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "shall", "should", "will", "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies, plans, objectives and goals;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed "Financial information" in this document with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements and information.

In this document, statements of or references to the intentions of our Group or any of our Directors are made as at the date of this document. Any such intentions may potentially change in light of future developments. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

You should consider carefully all the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This document contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could fall due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; (iii) risks relating to the [REDACTED]; and (iv) risks relating to the statements in this document. You should consider carefully our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Risks relating to our business

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.

During the Track Record Period, all of our revenue were made on project basis and the projects were non-recurring in nature. We do not have long-term commitments with our customers and it is probable that our major customers may vary from year to year. Furthermore, for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, approximately 51.2%, 50.3%, 58.1% and 59.2% of our revenue were generated from projects secured through tendering. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, we submitted 2,918, 4,318, 3,293 and 1,642 tenders, respectively, and our tender success rates were approximately 1.5%, 1.0%, 0.9% and 1.1%, respectively. Our Directors believe that irrespective of the market condition, competition in tendering for construction works is inevitable and can be fierce. Our ability to secure contracts out of our tenders is critical to our success and sustained business growth. There is no guarantee that we will be able to achieve our past or any higher success rates in tendering contracts after the [REDACTED] or that we will be able to secure new contracts from our existing or new customers. In the event that we are unable to succeed in our competitive tenders or maintain business relationships with our existing customers, our revenue and results of operations will be adversely affected.

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.

Our working capital, future operations and cashflow largely depend on the timely settlement of the payments by our customers. Our construction projects generally take 1 month to 3 years to complete the required construction work depending on the scale and complexity of the project. Moreover, even after we have completed the work required, the process of the settlement audit as well as the internal procedure for our customers to settle their payments to us may take some time to complete. Therefore, it may take a period of time for us to receive the corresponding payments for our construction work and it may in turn affect our working capital and cash flow position. If we experience late payments from our customers, our trade and bills receivables and our average trade receivables turnover days will increase. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our Group recorded trade receivables (net of allowance for impairment of trade receivables) of approximately RMB219.3 million, RMB268.5 million, RMB187.4 million and RMB127.6 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our trade receivables turnover days were approximately 43.6 days, 68.1 days, 62.2 days and 59.5 days, respectively. For further details, please refer to the section headed "Financial information — Discussion on selected items of consolidated balance sheet — Trade and bills receivables" of this document.

Trade receivables pose credit risks to our Group. In particular, a high amount or high concentration of trade receivables to a few customers may expose our Group to higher risks of collecting trade receivables in full or on time. There is no assurance that we will be able to collect all trade receivables from our customers, in full within the agreed credit term or at all. Any material delay in payment or non-payment by our customers could adversely affect our financial position, results of operations and cash flow.

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. If our Group persistently records net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected.

For the year ended 31 December 2020 and 2021 and the six months ended 30 June 2023, we recorded net cash used in operating activities of approximately RMB24.0 million, RMB61.1 million and RMB4.8 million, respectively. The net cash used in operating activities for the year ended 31 December 2020 was mainly attributable to (i) the increase in contract assets of approximately RMB246.9 million; and (ii) the increase in trade and bills receivables of approximately RMB141.0 million, partially offset by (i) the increase in trade and other payables of approximately RMB278.3 million; and (ii) the operating profit before working capital changes of approximately RMB49.3 million. The net cash used in operating activities for the year ended 31 December 2021 was mainly attributable to (i) the increase in contract assets of approximately RMB170.7 million; and (ii) the increase in trade and bills receivables of approximately RMB44.0 million, partially offset by the increase in trade and other payables of approximately RMB163.5 million. The net cash used in operating activities for the six months ended 30 June 2023 was mainly attributable to the decrease in trade ad other payables of approximately RMB171.7 million, partially offset by (i) the decrease in trade and bills receivables of approximately RMB87.2 million; (ii) the decrease in the increase in contract assets of approximately RMB55.5 million; and (iii) the decrease in deposits, other receivables and prepayments of approximately RMB16.5 million.

We cannot assure you that we will not experience negative net operating cash flows in the future. Our future liquidity, ability to make necessary capital expenditures, the payment of trade and other payables, as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. Our ability to generate adequate cash inflows from operating activities may be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. Also, we may not be able to renew or refinance our bank borrowings or secure additional external financing on a timely basis or on acceptable terms, or at all. The occurrence of any of the foregoing may cause us not to have sufficient cash flow to fund our operating costs and constrain our operational flexibility and, in that event, our business, financial condition and results of operations could be adversely affected.

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.

We engage subcontractors to provide labour services and specialised construction services on a project-by-project basis. We also procure various raw materials including concrete and steel and lease equipment and machinery to perform our construction works. As such, we would record significant cash outflow in the event that we take up substantial projects during a particular period of time.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on prompt settlement of progress payments and timely release of retention monies by our customers. There can be no assurance that our customers will settle our invoices on time and in full. In addition, approximately 3% to 5% of the final settlement value will be retained by our customers as retention money and will be returned to us upon expiration of the defects liability period. There can be no assurance that such retention money will be released by our customers to us on a timely basis and in full upon expiration of defects liability period.

Accordingly, the cash outflow to make payments for procuring raw materials, equipment and machinery and subcontracting may not align with the progress payments to be received. As such, if our customers fail to make timely payment or are in default in making payment or if there is a lapse in time between our receipt of payments from our customers and our payments due to our suppliers, our results of operations would be adversely affected our cash flows and financial positions. For further details, please refer to the section headed "Financial information — Discussion on selected items of consolidated balance sheet — Trade and bills receivables" and "Financial information — Liquidity and capital resources — Cash flows" of this document.

We are subject to recoverability of our contract assets and our construction business is subject to a relatively long cash conversion cycle.

Our contract assets represent our rights to receive consideration from customers when the measure of such rights exceeds the measure of our performance obligations under the contracts. Our contract assets are transferred to trade receivables when our rights to receive consideration become unconditional which usually occurs when we bill our customers. Our construction business is affected by the recoverability of our contract assets and is subject to a relatively long cash conversion cycle.

Our contract assets (net of allowance for impairment of contract assets) increased from approximately RMB637.7 million as at 31 December 2020 to approximately RMB803.8 million as at 31 December 2021, increased to approximately RMB1,019.9 million as at 31 December 2022 and then decreased to approximately RMB967.5 million as at 30 June 2023. Such increases are primarily due to (i) the construction works we conducted for several large-scale projects during the relevant year which had yet to be certified by the customers as at the relevant year/period, (ii) the increase in the quantity of work required for projects undertaken by us which had yet to be certified by the customers; and (iii) the accumulated contract assets for several ongoing large-scale projects. For further details, please refer to the section headed "Financial information — Discussion on selected items of consolidated balance sheet — Contract assets" in this document. Therefore, we may continue to experience such slow billing of contract assets and a relatively long cash conversion cycle in the future, which in turn could affect our results of operations and financial position.

If we are unable to perform our contracts with customers and unable to fulfil our obligation in respect of contract liabilities, our financial position and results of operations may be adversely affected.

We may receive advance payment from our customers for providing construction services on a case-by-case basis, giving rise to contract liabilities. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our contract liabilities amounted to approximately RMB43.2 million, RMB14.9 million, RMB21.9 million and RMB20.8 million, respectively. For further details, please refer to the section headed "Financial information — Discussion on selected items of consolidated balance sheet — Contract liabilities" in this document. If we fail to fulfil our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the payments we have received, which may adversely affect our cash flow and liquidity position and our ability to meet our working capital requirements and in turn, our financial position and results of operations.

Our business could be affected by any adverse impact on the business of our Group's customers

Our business is affected by the demand of our customers for our construction services and our customers' ability to settle our invoices on time and in full. The business of our customers may be affected by any adverse impact or changes of business or financing environments or change of laws and regulations in their industries. Such adverse impact or changes may affect their business plans and financial positions and their ability to settle our invoices on time and in full, which may in turn adversely affect our financial performance and results of operation.

Our Group determines our tender price based on the our pricing policy, and the actual costs incurred may exceed our estimations due to unexpected circumstances, thereby adversely affect our operations and financial results.

Substantially all of our revenue are derived from contracts, with prices being determined with reference to our tenders and substantially agreed to at the time when we submit a tender. Since we are generally responsible for all of our project costs, we have to bear a majority of the risk of cost fluctuations and our ability to achieve our target profitability in any project is largely dependent on our ability to accurately estimate and control these costs.

However, the actual costs incurred in completing a project may be affected by a variety of factors beyond our control, including adverse weather conditions, shortage and cost escalation of raw materials and labour, changes in project scope or customers' requests or orders, accidents, changes in regulatory requirements, and other unforeseen circumstances. Although some of our contracts provide for pricing adjustments if certain specified events occur, these adjustment provisions may not adequately protect us in the event of a cost overrun. Any of these can result in the actual time and costs incurred in completing a project exceeding our initial estimation. During the Track Record Period, we recorded loss in 10 construction projects and the aggregate amount of losses was approximately RMB2.2 million. For further details, please refer to the the section headed "Business — Our projects — Loss-making project during the Track Record Period" in this document.

There is no assurance that the actual costs incurred in completing a project will not exceed our initial estimation during the actual implementation of a project. If we fail to accurately estimate the costs required to complete our projects, or if the actual costs exceed our estimated costs and the price adjustment provision in the relevant contract does not or is not adequate to cover the additional costs, we may achieve a lower profits on our projects or may even incur losses, which may materially and adversely affect our results of operations and financial condition.

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

Backlog represents an estimate of the remaining aggregate contract sum of our construction projects as at a certain date. The contract sum of a project represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of future results of operations. For details, please refer to the section headed "Business — Our projects — Backlog and new contract sum" in this document. As at 30 June 2023, our aggregate backlog was approximately RMB1,462.8 million. However, this figure is based on the assumption that our relevant contracts will be performed in full in accordance with their terms. The termination or modification of any one or more major contracts may have a substantial and immediate effect on our backlog. However, we cannot guarantee that the amount estimated in our backlog will be realised in full, in a timely manner, or at all, or that, even if it is realised, such backlog will result in profits as expected. As a result, you should not rely on our backlog information as an indicator of our future earnings.

The amount of revenue that we are able to derive from a project may be different from the contract value due to factors such as variation orders.

During the project execution phase, our customers may place variation orders for additional, modification or cancellation of certain construction works from time to time. Please refer to the section headed "Business — Customers, sales and marketing — Salient terms of typical sales agreements with our customers" in this document for further details. Accordingly, the aggregate amount of revenue that we are able to derive from a project may be different from the contract value specified in the relevant contract of the project. As such, there is no assurance that the amount of revenue generated from our projects will not be substantially different from the contract value as specified in the relevant contracts and our financial condition may be adversely affected by any decrease in our revenue as a result of variation orders.

Our business operations depend on the expertise and continuing performance of our key management personnel and there is no assurance that our Group can hire and retain them.

Our success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our executive Directors and senior management are important to us in particular in areas such as, tender preparation, construction project management, customer relationship management, as well as satisfying the licensing requirements. We rely on the management and leadership of Mr. Sang, who is our Chairman and executive Director, and Mr. Xian, who is our executive Director and Chief Executive Officer. Mr. Sang and Mr. Xian established our Group in June 2017 and are both responsible for our Group's strategic planning and supervision of implementation of our Group's policies. In addition, we also rely on our Group's senior management in our daily operations. Details of the expertise and experience of our executive Directors and senior management are set out in the section headed "Directors and senior management" in this document.

There is no assurance that our Group can retain the continuous services of our executive Directors and other members of senior management. If we cannot retain their continuous services in the management of our Group and we are not able to find suitable replacements in a timely manner, there could be an adverse and material impact on the business, results of operation and profitability of our Group.

As we engage subcontractors in our works, unsatisfactory performance by our subcontractors may possibly affect our profitability and operation.

We engage subcontractors to provide specialised construction services on a project-by-project basis. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the specialised construction subcontracting costs amounted to approximately RMB217.0 million, RMB131.1 million, RMB167.6 million and RMB45.1 million, respectively, representing approximately 17.2%, 10.3%, 12.9% and 9.6% of our total cost of revenue, respectively. Subcontracting may expose us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. Even though we subcontract our works to subcontractors, we are ultimately responsible to our customers for the works completed by our subcontractors. As a result, if our subcontractors are not properly supervised, we may experience deterioration in the quality or delivery of our works and incur additional costs due to managing and supervising subcontractors' performance, and remedying the delays, defects or sub-standard materials, equipment, or services caused by the subcontractors. Such events could impact on our profitability, financial performance and reputation, or result in litigation or damage claims.

If our subcontractors violate any laws, rules or regulations in relation to health, safety and environmental matters, we may expose ourselves as an obligor to prosecutions by relevant authorities, and may become liable to claims for losses and damages. In the event that there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred at sites for which we are responsible, our operations and hence our financial position may be adversely affected.

We rely on workers provided by our labour subcontractors in the PRC and our business operations may be materially and adversely affected by the qualification, work performance and availability of such workers.

During the Track Record Period, we engaged labour subcontractors in the PRC as our subcontractors to carry out the labour works involved in our project implementation. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the labour subcontracting costs amounted to approximately RMB386.6 million, RMB403.4 million, RMB409.9 million and RMB126.8 million, respectively, representing approximately 30.6%, 31.6%, 31.6% and 27.1% of our total cost of revenue, respectively.

We may face difficulties in completing our projects if we do not have sufficient workers. There is no assurance that the works undertaken by them will be completed in a timely manner or of satisfactory quality. If the workers fail to complete their works on time or if their works are not of acceptable quality, we may need to incur additional costs to engage other workers to complete the works or undertake remedial works, which may materially and adversely affect our results of operations and our reputation in the industry. There is also no assurance that we will be able to engage alternative labour subcontractors on commercially acceptable terms or at all.

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

We are vulnerable to fluctuations in market prices and the availability of our raw materials. The principal raw materials used in our construction projects include concrete and steel (rebar and sheet pile). During the Track Record Period, raw material costs is the largest component in our Group's cost structure. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, raw material costs accounted for approximately 46.7%, 49.2%, 47.4% and 52.5% of our total cost of revenue, respectively.

The prices of raw materials depend on a variety of factors beyond our control, including global financial conditions, economy and related regulations and policies. During the Track Record Period, we did not experience any shortage of raw materials or any significant increase in raw materials costs that resulted in a significant delay in our project schedule or a material decrease in our profits. However, we cannot guarantee that we will be protected from a shortage or increased costs of raw materials in the future, or that our project schedule or profitability will not be negatively affected as a result. If we experience a shortage, we may be forced to procure raw materials at higher cost. As a result, our profit margins may decrease and our results of operations may be materially and adversely affected.

Project delays may result in substantial liabilities, which may materially and adversely affect our cash flow position and financial condition.

We are generally required to complete a project according to a fixed schedule by an agreed date as stated in the relevant contract. If we fail to complete a project in accordance with the schedule, we may be liable to compensate our customer for losses or damages caused by such delay. Any delay in the completion of a project, whether or not caused by us, may also lead to additional costs being incurred, including costs to hire additional workers and to provide temporary storage for raw materials.

There is no assurance that we will not experience delays in completing our projects in the future. Any failure on our part to complete a project in a timely manner may result in not only substantial liabilities on and financial loss to our Group, but also negative publicity and a deterioration of our corporate image and reputation in the industry and our business, results of operations and financial condition may be materially and adversely affected.

In addition, as we typically receive payment under our contracts in stages, any delay in the completion of a project may postpone our receipt of anticipated payments, which may have a material adverse effect on our cash flow position.

We may incur costs in relation to the retention monies offered to our customers.

We may incur costs in relation to retention monies offered to our customers. We are responsible for rectifying quality defects, which may incur costs, in our construction projects. The defects liability period generally ranges from six months to five years, depending on the type of construction services provided. Retention fees retained by our customers are generally approximately 3% to 5% of the contract price. The retention money will generally be returned to us upon expiration of the defects liability period. During the Track Record Period, we collected the majority of the retention fees retained by our customers pursuant to the contract terms as they became due. There can be no assurance, however, that we will not be required to rectify quality defects for our construction projects or will recover all or any of the amounts retained by customers for warranty purposes in the future. If we are responsible for rectifying quality defects in our construction projects or are unable to recover a significant proportion of the amounts retained by our customers as retention fees, our future business, financial condition and results of operations may be materially and adversely affected.

Non-renewal of, or delay in obtaining, licences, qualifications and permits may have a material adverse effect on our business operations.

It is a pre-requisite for us to obtain certain licences, qualifications and permits from various governmental or regulatory authorities in order to conduct and carry on our business operations. For further details, please refer to the section headed "Business — Licences, qualifications and permits" in this document. However, these licences, qualifications and permits are subject to periodic review and renewal by the relevant governmental or regulatory authorities and our continued compliance with certain standards and requirements.

There is no assurance that we will be able to renew or that we will not experience any delay in obtaining all necessary licences, qualifications and permits in the future. Non-renewal of, or delay in obtaining, any necessary licences, qualifications and permits may prevent us from undertaking or carrying on certain types of projects or works, which may disrupt our business operations and may have a material adverse effect on our business, results of operations and financial condition.

Our construction business is subject to seasonality.

We normally record lower sales during first quarter of a year as construction activities are less active due to Chinese New Year. As such, our operating results in the first quarter are generally lower than any other quarters in a year. Hence, prospective investors should be aware of this seasonal fluctuation when making any comparison of our operating results. Also, we may experience cost increases or delays when conducting our business operations during particular seasons. Therefore, our operating business, results and financial condition may fluctuate from period to period.

Our Chinese company name may be identical or similar to other companies in the construction industry established in the PRC.

The Chinese company name of our Company and our subsidiaries contain "中深" (Zhongshen). In particular, Zhongshen Jianye, our principal operating subsidiary, has been using "中深" (Zhongshen) in its name since 2019. As at the Latest Practicable Date, we have registered one trademark containing "中深" in Hong Kong. For more information on our intellectual property rights, please refer to the section headed "Statutory and General Information — B. Further information about the business of our Company — 2. Intellectual property rights" in Appendix IV to this document. Meanwhile, there are many PRC and Hong Kong companies whose names contain "中深" (Zhongshen), including companies in the construction industry.

As the general public may not be able to differentiate us and other companies whose names contain "中深" (Zhongshen), if these companies are subject to any complaint, litigation, regulatory action or other negative publicity, our reputation, market recognition, business, growth prospect, results of operation and financial condition could be adversely affected.

We may also be subject to dispute over the use of company name(s) containing "中深" (Zhongshen) with other companies whose names contain "中深" (Zhongshen). We cannot guarantee that we will be able to resolve such disputes in our favour. If any of such dispute arose against us, even if groundless, our reputation, market recognition and business could be adversely affected.

The outbreak of epidemic or other severe communicable disease could adversely affect our Group's financial positions and results of operations.

Our business could be materially and adversely affected by widespread epidemic or other communicable disease such as Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), H5N1 flu, H7N9 flu, H1N1 flu and Ebola virus. Our operations could also be disrupted if any of our employees were suspected of contracting or contracted an epidemic disease, since this could require us to quarantine some or all of our employees and disinfect the buildings or sites. Moreover, the outbreak may also result in shortage of raw materials and labour and may cause temporary suspension of our construction projects which may result in the delay of our construction projects. In addition, the outbreak may also severely affect and restrict the level of economic activity as the government may impose regulatory or administrative measures quarantining affected areas or other measures to control or contain the outbreak of the severe communicable diseases. Any economic downturn and travel restrictions as a result of severe communicable diseases may result in delay in payment from our customers and/or termination of projects. Should any such events occur, our financial positions and results of operations may be adversely affected. During the Track Record Period, some of our construction projects had encountered suspension due to the outbreak of the epidemic. For further details, please refer to the section headed "Summary — Recent development" in this document.

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

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

Successful implementation of our business strategies and future plans are subject to uncertainties.

We plan to achieve our business growth by implementing a series of strategies, such as continued investments in our projects, strengthening our budget management and cost control, recruiting talent and purchasing construction equipment and machinery. Please refer to the sections headed "Business — Business strategies" and "Future plans and [REDACTED]" for further details. There is no guarantee that we will be able to implement any of our business strategies and future plans successfully, which in turn are subject to uncertainties and changing market, economic and political conditions. Our plans for development and business expansion are formulated based on assumptions on the occurrence of certain future events, which may or may not materialise. We may also not have timely access to adequate capital financing when suitable business opportunities arise. Furthermore, there is also no assurance that any of our business strategies will yield the benefits or achieve the level of profitability we anticipate. The profit from our implemented plans may not be sufficient to justify the start-up expenses and the increased operating costs.

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

We have established risk management and internal control systems consisting of the relevant organisational framework policies, risk management policies and risk control procedures. These systems are designed to help us manage our risk exposures, primarily our operational risk, legal risk and liquidity risk. However, we may not be successful in implementing our risk management and internal control systems. While we seek to continue to enhance our risk management and internal control systems from time to time, we cannot assure you that our risk management and internal control systems are adequate or effective notwithstanding our efforts. Any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

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

Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation and our insurance expenses may increase from time to time.

We have taken out insurance policies in line with industry practice to cover the risks associated with our business operations. However, there are certain types of risks, such as acts of gods, for which insurance coverage is generally not available on commercially acceptable terms or at all. There is no assurance that our current insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of losses, damages or liabilities arising therefrom. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance coverage, we will have to bear all or a certain portion of such losses, damages or liabilities. In such circumstances, our business operations, results of operations and financial condition may be materially and adversely affected.

In addition, there is no assurance that our insurance expenses will not increase or that we will not be required by law to obtain additional insurance coverage in the future. Any further increase in insurance costs may materially and adversely affect our results of operations and financial condition.

Failure to make contributions to social insurance and housing provident funds in full as required by the PRC laws and regulations.

Pursuant to the relevant PRC laws and regulations, we are required to make, among other things, adequate contributions to social insurance and housing provident funds for our employees for all PRC subsidiaries of our Group. During the Track Record Period, we were not in strict compliance with the requisite requirements. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the shortfall in social security contribution amounted to approximately RMB0.1 million, RMB1.2 million, RMB0.1 million and nil, respectively. Adequate provisions in the amount of approximately RMB0.6 million, RMB0.7 million, RMB0.1 million and nil, respectively, for the shortfall in housing provident funds have been made in our historical financial information during the Track Record Period. As advised by our PRC Legal Advisers, with respect of the failure to make adequate social insurance, we may be subject to a late payment fee equals to 0.05% of the shortfall amount calculated daily starting from the date the relevant social insurance funds become payable. If we fail to make such payments within a stipulated period, we may be liable to a fine of one to three times of the shortfall amount. And, with respect to the failure to make adequate housing provident fund contribution, housing provident fund management centre may require us to make the overdue payment and deposit within a prescribed time limit, failing which it may seek court order against us and to collect the outstanding housing provident fund contributions. For further details, please refer to the section headed "Business — Legal and compliance matters" of this document. There is no assurance that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. Moreover, there is also no assurance that we will not be ordered to rectify such incidents or subject to penalties imposed by the relevant PRC authorities as a result of such incidents. Any such complaints, orders or penalties may have an adverse effect on our financial conditional and results of operations. If the relevant PRC authorities determine that we shall make adequate social insurance and housing fund contributions or that we are subject to fines and legal sanctions in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

We may be subject to fines due to the lack of registration of our lease agreements.

Pursuant to the Measures for Administration of Lease of Commodity Properties (商品房屋租賃管理辦法), which was promulgated by MOHURD on 1 December 2010 and became effective on 1 February 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As at the Latest Practicable Date, 10 of our lease agreements had not been registered. We may be required by relevant government authorities to file these lease agreements for registration within a time limit, and may be subject to a maximum fine of RMB10,000 for each lease agreement which in aggregate amounted to RMB100,000 for the 10 unregistered lease agreements.

We may face challenges by third parties with respect to property ownership, which may expose us to potential financial loss and negatively affect our ability to use the properties that we lease.

As at the Latest Practicable Date, for five of our leased properties, we have not been provided by the lessors with the relevant ownership certificates or any other documentation proving their right to lease those properties to us. As advised by our PRC Legal Advisers, in the event that our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or other relevant parties who have the right to lease the properties, and the terms of the new leases may be less favourable to us. Moreover, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties.

We may not be able to adequately protect our intellectual property rights and may be exposed to third-party claims of infringement or misappropriation of intellectual property rights.

As at the Latest Practicable Date, our Group had registered 42 patents and six trademarks in the PRC and Hong Kong while five patents applications and one trademark application were under review in the PRC. We cannot assure you that the steps we have taken to protect and safeguard our intellectual property rights are adequate or that our property rights will not be infringed by any third party in the future. We may resort to legal proceedings in order to protect and enforce our intellectual property rights and the legal fees and expenses involved in such proceedings can be substantial. Furthermore, the diversion of resources and our management's effort and attention in addressing such intellectual property claims may significantly affect our business performance and hinder our business development.

In addition, we may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defence of intellectual property lawsuits, patent opposition proceedings and related legal and administrative proceedings can be costly and time consuming. An adverse judgment in any such proceedings may result in substantial liability on us. In addition, we may be required to obtain licences from third parties at a substantial cost. In these circumstances, our reputation, financial condition and results of operations may be materially and adversely affected.

We may experience failures in our information technology systems.

Our information technology systems may be subject to risks associated with computer viruses, hardware and software failures, telecommunications failures, power outages, fires, natural disasters and other similar events. Any information systems failure will interrupt our operations and additional time and costs will be incurred for restoring the information lost or damaged. We cannot guarantee that all information lost or damaged could be fully restored and if any of such information which is critical to our business operations could not be restored, our operations may be adversely affected.

Risks relating to our industry

Our businesses and future growth are subject to macroeconomic conditions in the PRC, particularly Guangdong Province and Henan Province, which are beyond our control.

Our business and future growth depends on the growth of the construction industry in the PRC, particularly in the Guangdong Province and Henan Province where our business is focused, which in turn depends on the relevant regulations and policies in the PRC. For example, the Thirteenth Five-Year Plan is introduced to promote the reconstruction of dilapidated houses in rural areas, accelerate the shantytowns transformation and indemnificatory housing construction, accelerate the construction of trunk road system and branch road system in urban central areas and promote the construction of transportation infrastructure. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our revenue generated from construction projects in the Guangdong Province and Henan Province in aggregate amounted to RMB1,330.2 million, RMB1,297.1 million, RMB1,268.5 million and RMB457.7 million, respectively, accounting for 99.9%, 96.4%, 92.0% and 92.3% of our total revenue, respectively. According to the Frost & Sullivan Report, the nominal GDP in China increased from approximately RMB91.9 trillion in 2018 to approximately RMB121.0 trillion in 2022, growing at a CAGR of approximately 7.1%. The output value of construction industry in China has reached RMB31.2 trillion in 2022, representing a CAGR of approximately 8.4% over the 5-year period from 2018 to 2022. However, our revenue may be affected by the PRC economy or construction spending. In addition, as we derived a majority of our revenue from the Guangdong Province during the Track Record Period, demand for our services in Guangdong Province is subject to the local economy. Our ongoing projects, in which we have invested significant resources and capital, may be put on hold or stopped if economic conditions deteriorate, and we may be unable to collect payments and recover our costs.

Our business and future growth are subject to the performances of the PRC property market.

As a private general contracting construction enterprise in the PRC, our growth potential is, and will continue to be, affected by the performances of the PRC property market in general. Any property market fluctuation in the PRC generally or, in particular, in the provinces where our business is focused may affect the development of the PRC construction market and hence result in a decline in the demand of our services. The regulations evolve from time to time in relation to the PRC property industry. For example, with the introduction of "three red lines" policy in late 2020 in the PRC, which provides certain financing criteria for property developers in the PRC, a number of property developers were caught in a serious capital chain rupture and had defaulted on their debt obligations in 2021. In the event that the downturn in the PRC property market continues, our business, results of operations and financial position may be materially and adversely affected.

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

The PRC construction industry is highly fragmented though the leading construction enterprises in the PRC are primarily SOEs. According to the Frost & Sullivan Report, 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. Some of our competitors may have longer operating histories, stronger capital resources, larger customer bases, stronger customer relationships, greater brand name recognition, greater financial, technical, marketing and public relations resources, or offer a wider range of services than we do. As a result, some of our competitors may be better positioned than we are to develop superior services and products or to adapt to market trends. Our competitiveness depends on our record of timely project delivery and wide range of high-quality services and products, as well as innovation and technological capabilities. Competitive pressures may require us to reduce our prices or increase our costs and may adversely affect our profit margins. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

We are exposed to environmental liabilities and may have to incur significant capital expenditure if additional or more onerous laws and regulations are passed in relation to environmental protection.

Our business operations are subject to a number of environmental protection laws, regulations, policies and standards in the PRC, including, the Law on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) and the Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國噪聲污染防治法). In the event that we fail to comply with or meet the applicable environmental protection laws, regulations and policies, we may be subject to substantial fines or penalties, required to take remedial measures, or ordered to suspend our business operations, which may in turn have a material and adverse effect on our business operations, results of operations and financial condition.

We are also subject to laws, regulations or policies as amended from time to time. Any amendment to these laws, regulations or policies may require us to incur substantial financial or other resources to adjust the manner in which we carry out our works, introduce new preventive or remedial measures, purchase new pollution control equipment, and update our compliance and monitoring systems to ensure compliance with such amended laws, regulations, policies or standards. Failure to ensure compliance in a timely manner or at all may result in substantial penalties or fines and our business operations may be disrupted, thus materially and adversely affecting our results of operations and financial condition.

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

Construction sites are potentially dangerous workplaces and our construction projects routinely place our employees, workers and others in close proximity with heavy duty construction equipment and machinery, moving motor vehicles, highly regulated and volatile materials, and chemical processes. Despite our implementation of safety policies and standardised construction methods and technologies, we continue to be subject to risks surrounding these activities, such as equipment failure, industrial accidents, geological catastrophes, fire and explosions. These hazards may cause personal injury or fatalities, as well as damage to or destruction of property and equipment. During the Track Record Period, we recorded one fatal accident in connection with occupational safety relating to our subcontractor. For details of the fatal accident, please refer to the section headed "Business — Occupational health and safety — Fatal accident relating to our specialised construction subcontractor". We cannot guarantee that material workplace accidents will not occur in the future despite our safety policies and measures. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs, damage to our reputation and loss of future business, which may materially and adversely affect our business, financial position and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our business is affected by changes in China's economic, political or social conditions or government policies.

Our business, assets and operations are mainly located in China, and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in China, in particular the construction industry. Similar to many other countries and regions, China regulates its economy through imposing and adjusting industrial, fiscal or monetary policies from time to time. Our business has been and would continue to be affected by China's economy, which in turn is increasingly influenced by the global economy. The uncertainties in the global economy and the geo-political or social environment in various regions around the world would continue to influence China's economic growth and may cause uncertainties in our prospects. Future changes in economic, political, social, and regulatory conditions may continue to influence our business, financial condition, results of operations and prospects.

Regulations on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in RMB into other currencies to meet our foreign currency obligations, such as payments of dividends on our Shares,there is no assurance that we will have sufficient foreign exchange to meet these requirements. Our PRC subsidiaries are subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises are required to apply for Foreign Exchange Registration Certificates.

Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payment are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Approval from appropriate government authorities may be required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses in accordance with applicable PRC laws and regulations.

Distribution and transfer of funds may be subject to regulations under the PRC law.

Our Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in the subsidiaries. Our Company relies entirely on the dividend payments from our subsidiaries.

Under the PRC laws, dividends from our subsidiaries in the PRC may only be paid out of distributable after-tax profit, less any recovery of accumulated losses and allocations to statutory funds which are not available for distribution as cash dividends. Any distributable profit that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profit under PRC accounting principles is different in many respects from Hong Kong accounting principles.

Distributions by our subsidiaries in the PRC to our Company may be subject to relevant regulations and policies. These regulations and policies may affect our ability to pay dividends to our Shareholders. Any transfer of funds from our Company to our subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration and/or approval granted by certain authorities. These regulations and policies on the free flow of funds between our Company to our subsidiaries in the PRC could influence our ability to act in response to changing market conditions in a timely manner.

PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our enterprise income tax rate.

Our Company is incorporated under the laws of the Cayman Islands and holds interests in our PRC subsidiaries through a number of subsidiaries incorporated in BVI and Hong Kong. According to the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例), if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. Under the Arrangement between the Mainland and HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), such dividend withholding tax rate is reduced to 5% if a Hong Kong tax resident enterprise owns over 25% of equity interest in the PRC company distributing the dividends. According to the Notice on the Issues Concerning the Application of the Dividends Clauses of Tax Treaties* (關於執行稅收協定股息條款有關問題的通知) issued by SAT on 20 February 2009, the direct shareholding proportion of such corporate recipients of dividends distributed by the PRC enterprises must satisfy the minimum requirement under the tax treaty at all times during the 12 consecutive months preceding the receipt of the dividends. Any new evolution of PRC tax law affecting tax exemptions on dividends may reduce the amount of dividends that could be distributed to our Company and Shareholders.

In addition, the EIT Law provides that, if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to statutory enterprise income tax at the rate of 25% on its worldwide income. Substantially all members of our management are located in the PRC, we may be deemed as a PRC tax resident enterprise and therefore subject to a statutory enterprise income tax rate of 25% on our worldwide income, excluding the dividends received directly from another PRC tax resident. As a result of these changes described above, our historical operating results will not be indicative of our operating results for future periods and the value of the Shares will be adversely affected.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to [REDACTED], there is no public market for our Shares. The [REDACTED] of, and the permission to deal with, our Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group's revenue, earnings and cash flows, strategic acquisitions made by our Group or our competitors, loss of key personnel, litigation, fluctuations in the market prices for our services in the PRC, the liquidity of the market for our Shares, the general market sentiment regarding the construction industry could cause the market price and trading volume of our Shares to change substantially. In addition, both the market price and liquidity of our Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [REDACTED].

Future sales, or market perception of sales, of substantial amounts of our Shares in the public market, including any future [REDACTED], could have a material adverse effect on the market price of our Shares and make it difficult for you to recover the full value of your investment.

The market price of our Shares could decline as a result of future sales of substantial amount of our Shares or other securities relating to our Shares in the public market, or the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuance may occur. Future sales, or perceived sales, of substantial amount of our Shares could materially and adversely affect the market prices of our Shares and may also materially and adversely affect our ability to raise capital in the future. In addition, our Shareholders would experience dilution in their holdings upon our issuance or sale of additional securities in future [REDACTED].

Investors for our Shares may experience dilution if we issue additional Shares in the future.

If we issue additional Shares in the future, investors of our Shares in the [REDACTED] may experience further dilution in their ownership percentage. We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our [REDACTED].

RISKS RELATING TO THE STATEMENTS IN THIS DOCUMENT

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from research reports and supplied by other parties contained in this document.

Certain facts and statistics cited in this document are based on various official government and non-official publications, including the industry report. We cannot guarantee the quality or reliability of such facts and statistics. Such information has not been independently verified by us and may be inconsistent, inaccurate, incomplete or out-of-date. None of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective affiliates or any of our or their respective directors, officers, employees, representatives, agents or advisers or any other person or party involved in the [REDACTED] makes any representation as to the accuracy or completeness of such facts and statistics. Such facts and statistics may not be consistent with other information compiled within or outside the PRC. Furthermore, the facts and statistics may be incomparable to statistics on the economies of other nations and there can be no assurance that the statistics are stated or compiled on the same basis or with the same degree of accuracy as compared to those stated or compiled by other nations. Accordingly, such facts and statistics should not be unduly relied upon.

In preparation for the [REDACTED], we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that our headquarters, business and operation are primarily located, managed and conducted in the PRC and, none of our executive Directors are ordinarily resident in Hong Kong, our Company does not and will not, in the foreseeable future, have two executive Directors residing in Hong Kong.

Accordingly, we have applied to the Stock Exchange for a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules. The Stock Exchange [has granted] the requested waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules on condition that our Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

(a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Xian, our executive Director and Mr. Ng Ka Chai, our company secretary who is an ordinarily resident in Hong Kong. Although Mr. Xian resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when it expires in order to visit Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) both authorised representatives have means to contact all members of the Board (including our independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters;

(c) to enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies whereby (i) each executive Director and independent non-executive Director shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses to the authorised representatives; (ii) in the event that an executive Director or independent non-executive Director expects to travel and be out of office, he/she shall provide valid phone numbers or means of communication to the authorised representatives; and (iii) all our Directors and authorised representatives shall provide their respective mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses to the Stock Exchange;

(d) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles of Association at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

(e) [Kingsway Capital Limited] [has been appointed] as the compliance adviser of our Company pursuant to Rule 3A.19 of the Listing Rules to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act as an additional channel of communication with the Stock Exchange for the period commencing on the [REDACTED] and ending on the date on which our Company publishes its annual report in respect of its first full financial year commencing after the [REDACTED];

(f) meetings between the Stock Exchange and our Directors can be arranged through the authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in the authorised representatives or the compliance adviser in accordance with the Listing Rules; and

(g) all our Directors have confirmed that they possess or can apply for valid travel documents to travel to Hong Kong when so required and would be able to come to Hong Kong and meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

[REDACTED]

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Sang Xianfeng (桑先鋒先生)	Room 506, Unit 3, Building 2 Bolun Garden, Fumin Road Futian District, Shenzhen Guangdong China	Chinese
Mr. Xian Yurong (冼玉榮先生)	Room 803, Unit 1, Building 3 Zhongfu New Village, Fumin Road Futian District, Shenzhen Guangdong China	Chinese
Independent non-executive Directors		
Ms. Liu Zhihong (劉志紅小姐)	Flat 8, 12/F, Block C Causeway Centre No. 28 Harbour Road Hong Kong	Chinese
Mr. Zeng Qingli (曾慶禮先生)	Room 902, Building 3 Huangge Cuiyuan, Huangge Road Longcheng Street Longgang District, Shenzhen Guangdong China	Chinese
Mr. Xie Huagang (謝華剛先生)	Room 203, Building 99 Guantang New Village Tongling City Anhui Province China	Chinese

SENIOR MANAGEMENT

Name	Residential address	Nationality
Mr. Guo Tengfei (郭騰飛先生)	Room 3004, Building 2 Phase 3 Shangcheng Shijia Tamsui Street Office Huiyang District, Huizhou Guangdong, China	Chinese
Mr. Wu Jianmin (吳堅民先生)	Room 401, Building 46 Shawei West Village Futian District, Shenzhen Guangdong China	Chinese
Mr. Zhang Lei (張磊先生)	16E, Block K, Building 1, South District Phase II, Jiulongxi Garden New District Avenue Longhua District, Shenzhen Guangdong China	Chinese
Mr. Sang Yongwei (桑永威先生)	Room 141 Xinyi Village, Chilingtou, Dalang Street Longhua District, Shenzhen Guangdong China	Chinese
Mr. Wang Xuguang (王旭光先生)	No. 403, Building 16 Shangwei San Village, Huanggang Village Futian District, Shenzhen Guangdong China	Chinese
Mr. Liu Chuanwen (劉傳文先生)	Room 12B, Building 1 Mingjia Fuju, 16 Zhengfeng Road Nanshan District, Shenzhen Guangdong China	Chinese

For further information on the backgrounds of our Directors, please refer to the section headed "Directors and senior management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Kingsway Capital Limited** *A licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activities under the SFO* 7/F, Tower 1, Lippo Centre 89 Queensway Hong Kong
[REDACTED]	[REDACTED]
[REDACTED] and [REDACTED]	[REDACTED]

Legal advisers to our Company	*As to Hong Kong law* **Cheung & Choy** Suites 3804–05, 38th Floor Central Plaza, 18 Harbour Road Wanchai Hong Kong *As to PRC Law* **King & Wood Mallesons** 25th Floor, Guangzhou CTF Finance Centre No.6 Zhujiang East Road Zhujiang New Town, Tianhe District, Guangzhou, Guangdong 510623 China *As to Cayman Islands law* **Conyers Dill & Pearman** 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law* **Loeb & Loeb LLP** 2206–19, Jardine House 1 Connaught Place Central Hong Kong *As to PRC law* **Beijing Dacheng Law Offices, LLP** 16–21F, Tower B ZT International Center No. 10, Chaoyangmen Nandajie, Chaoyang District Beijing China

Auditor and reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants and* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central, Hong Kong
Compliance advisers	**Kingsway Capital Limited** 7/F, Tower 1, Lippo Centre 89 Queensway Hong Kong
Industry consultants	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square No. 1717 West Nanjing Road Jing'an District Shanghai China
Receiving bank	[●]

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	Nos. 615–616, Block 2 Nam Tai Inno Park the southeast side of the intersection of Guangming Avenue and Dongchang Road Guangming District Shenzhen Guangdong PRC
Principal place of business in Hong Kong	Room 1204, 12/F C C Wu Building 302–308 Hennessy Road Wan Chai, Hong Kong
Company's website	**www.zsjy.top** *(information contained in this website does not form part of this document)*
Company secretary	Mr. Ng Ka Chai *(HKICPA)* Room 1115, 11th Floor Block M, Telford Gardens Kowloon Bay Kowloon, Hong Kong
Authorised representatives	Mr. Xian Yurong Room 803, Unit 1, Building 3 Zhongfu New Village, Fumin Road Futian District, Shenzhen Guangdong China Mr. Ng Ka Chai *(HKICPA)* Room 1115, 11th Floor Block M, Telford Gardens Kowloon Bay Kowloon, Hong Kong

Audit Committee	Ms. Liu Zhihong *(Chairlady)* Mr. Xie Huagang Mr. Zeng Qingli
Remuneration Committee	Mr. Xie Huagang *(Chairman)* Ms. Liu Zhihong Mr. Zeng Qingli
Nomination Committee	Mr. Zeng Qingli *(Chairman)* Ms. Liu Zhihong Mr. Xie Huagang
Principal [REDACTED] and transfer office in the Cayman Islands	[REDACTED]
[REDACTED]	**[REDACTED]** [REDACTED]
Principal bankers	**China Construction Bank, Shenzhen Lianhuashan Branch** Office Building of Housing Bureau Hongli West Road Futian District, Shenzhen Guangdong China **Shenzhen Futian Yinzuo Rural Bank** Room 271, Podium Building World Trade Plaza, Fuhong Road Futian District, Shenzhen Guangdong China

The information and statistics set out in this section and other sections of this document were extracted from various official government publications, other publicly available publications and the report prepared by Frost & Sullivan, which was commissioned by us, unless otherwise indicated. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], [REDACTED], [REDACTED], [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

OVERVIEW OF MACRO ECONOMY OF THE PRC

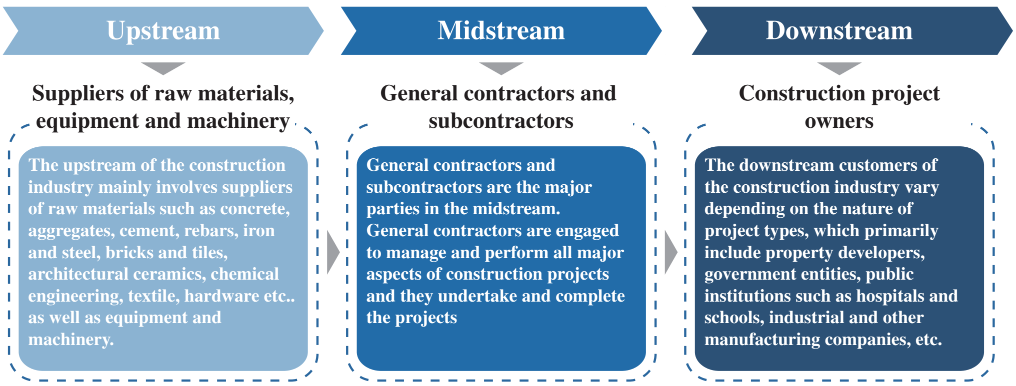
Over the past years, the Chinese economy maintained its solid growth despite the global financial crisis. The nominal GDP in China increased from approximately RMB91.9 trillion in 2018 to approximately RMB121.0 trillion in 2022, at a CAGR of approximately 7.1%. Moreover, the per capita nominal GDP in China increased from approximately RMB66,006 in 2018 to approximately RMB85,698 in 2022, at a CAGR of approximately 6.7%. According to the International Monetary Fund, the nominal GDP and per capita nominal GDP are expected to grow at CAGRs of approximately 5.9% and 6.0% from 2022 to 2027, reaching approximately RMB161.3 trillion and approximately RMB114,873 by 2027, respectively.

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%. According to the "14th Five-Year Plan for the Development of the Construction Industry" (《「十四五」建築業發展規劃》) issued by the State Council, the construction industry is expected to greatly modernise its industrial chain to form the preliminary stages of a green and low-carbon production model. By 2025, the standard of building information modelling ("**BIM**") framework is expected to be formed, and the quality and safety systems of infrastructure projects are expected to be more robust. Therefore, it is anticipated 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.

OVERVIEW OF THE CONSTRUCTION INDUSTRY IN THE PRC AND GUANGDONG PROVINCE

The construction industry has long been one of the pillar industries in the PRC, it plays a significant role in the national economic development. In particular, the central and local government authorities have intensively introduced incentive policies to promote better green development and infrastructures in urban and rural areas and better development patterns involving high-quality green construction and green lifestyle formation.

Value chain of the construction industry in the PRC



Source: Frost & Sullivan

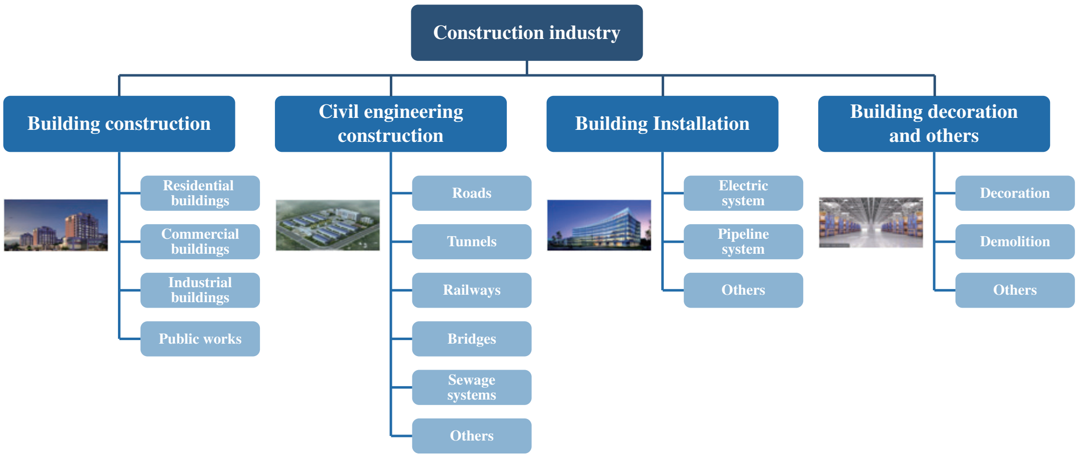
The value chain of the construction industry consist of three main segments: (i) upstream suppliers of raw materials, equipment and machinery; (ii) midstream general contractors and subcontractors; and (iii) downstream construction project owners.

Upstream suppliers of raw materials, equipment and machinery primarily include excavators, manufacturers, traders and equipment lessors.

Midstream general contractors and subcontractors play an important role in the value chain. General contractors are usually given the responsibility to manage and perform all major aspects of construction projects, including but not limited to, foundation works, building construction, curtain wall construction, fit-out and renovation and fireproofing. The general contractor is also responsible for engaging subcontractors in providing construction services and labour force and other specialised construction services required for the construction project.

Classification of the construction industry

According to the "Industrial Classification for National Economic Activities" (《國民經濟行業分類》) issued by the National Bureau of Statistics of the PRC, the construction industry in the PRC can be divided into four major sectors consist of (i) building construction; (ii) civil engineering construction; (iii) building installation; and (iv) building decoration and others, which can further be sub-divided as follows:



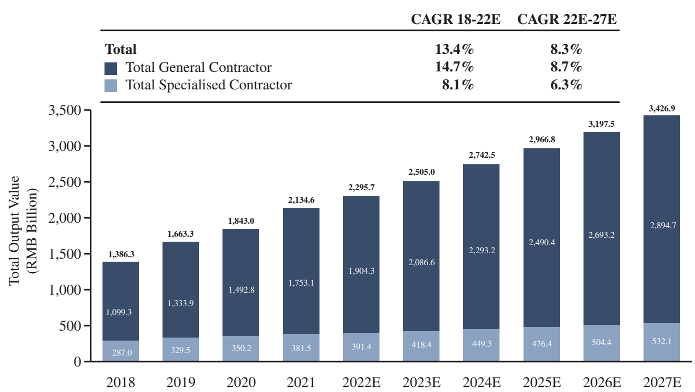
Source: National Bureau of Statistics of the PRC and Frost & Sullivan

Market size of the construction industry in the PRC and Guangdong Province

Total output value

The total output value of construction is quantitative measurement in terms of the production scale, development efficiency and gross output of the construction industry, which includes: (i) output of construction engineering which refers to construction field work, equipment installation, building maintenance; (ii) output of auxiliary construction productions and industrial work; (iii) output of outsourcing construction service and machinery leasing service; (iv) output of plan, design and supervision service; and (v) output of other construction related work, products and services.

Total Output Value of Construction Industry by Contractor (Guangdong Province), 2018–2027E



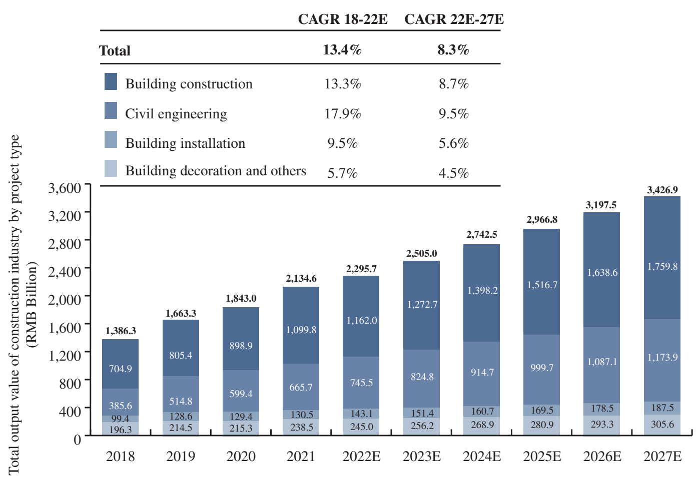
Source: National Bureau of Statistics of the PRC and Frost & Sullivan

According to the Frost & Sullivan Report, except for projects with special requirements, project owners would normally prefer to engage general contractor to manage construction project as a whole rather than engaging numerous specialised contractors. Consequently, project constructed by general contractors occupies the majority of the market share of the construction industry in terms of output value in Guangdong Province. In 2018, general contractors in Guangdong Province took 79.3% of the construction market share in Guangdong Province and this majority market occupation rate further increased to 83.0% in 2022.

Driven by the continuous development of large-scale construction projects in the PRC, general contractors dominated in the construction market in Guangdong Province in terms of construction output value, with a construction output value of approximately RMB1,099.3 billion in 2018 and RMB1,904.3 billion in 2022 at a CAGR of approximately 14.7%, and it is expected to grow at a CAGR of approximately 8.7% from 2022 to 2027, reaching a construction output value of approximately RMB2,894.7 billion by 2027.

According to the "Notice Regarding Deepening the Reform of Separation of Permits and Business Licenses and Further Stimulating the Development Vitality of Market Participants" (《關於深化"證照分離"改革進一步激發市場主體發展活力的通知》) promulgated by the State Council in May 2021, the third-grade qualification for construction enterprises will be revoked and the conditions for second-grade are correspondingly adjusted and no more third-grade qualification categories for specialised contractors, and thus, it is anticipated the construction license reduction of permits and simplification of approval will be vigorously promoted among general and specialised contractors and the qualification standards of the construction industry in the PRC will be gradually optimised in the future.

Total Output Value of Construction Industry by Project Type (Guangdong Province), 2018–2027E

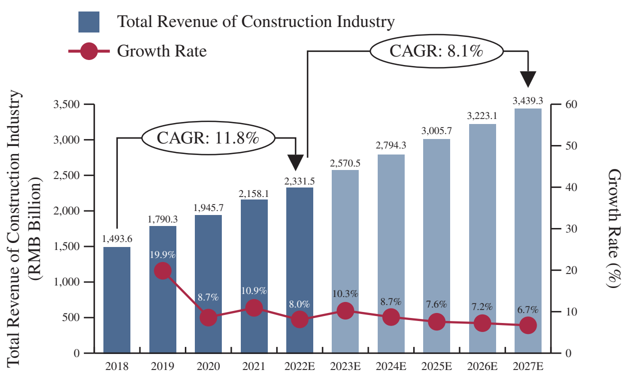


Source: National Bureau of Statistics of the PRC and Frost & Sullivan

Among all of the sectors of the construction industry, building construction held the dominant market position in Guangdong Province, represented approximately 50.9% market share in 2018 and approximately 50.6% market share in 2022. Civil engineering being the second largest sector in Guangdong Province, represented approximately 27.8% market share in 2018 and approximately 32.5% market share in 2022. Furthering on the State Council's Opinion on Improving the Management over Urban Planning Construction (關於進一步加強城市規劃建設管理工作的若干意見) published in 2016, the civil engineering sector in Guangdong Province experienced rapid growth at a CAGR of approximately 17.9% from 2018 to 2022 and is expected to remain to be the highest growing sector in the construction industry in Guangdong Province at a CAGR of approximately 9.5% from 2022 to 2027.

Total revenue

Total Revenue of Construction Industry (Guangdong Province), 2018–2027E



Source: National bureau of Statistics of the PRC and Frost & Sullivan

The total revenue of construction market in Guangdong Province have experienced solid growth in the past years, while Guangdong Province have even achieved double-digit growth at a CAGR of approximately 11.8% from 2018 to 2022, reaching approximately RMB2,331.5 billion in 2022 and is expected to further increase to approximately RMB3,439.3 billion by 2027.

Recent impact on the development of the PRC property industry

The depressed property industry in the PRC has a negative impact on the growth of construction industry. The PRC property industry has demonstrated a downward trend since 2021. Being in the upstream of the property industry chain, the construction industry has also been considerably impacted and witnessed a slowdown in the overall development pace of the construction industry, especially the building construction sector, in 2022. Although the construction industry suffered from COVID-19, demand contraction, waning expectations, and expected downward trend in the short term, the effective implementation taken by the PRC government is expected to maintain a long-term upward trend in the future. According to the "Notice on Regulating the Order of the Real-estate Market" (關於持續整治規範房地產市場秩序的通知) issued by the Ministry of Housing and Urban-Rural Development and other seven authorities in July 2021, it is necessary to focus on regulating the quality of real estate development as well as regulating illegal construction and other issues to improve the healthy and steady development of the real estate market. In 2022, the Chinese government continues to regulate the order of the market, strengthen market supervision, build an effective mechanism of the construction industry, improve the supply and demand side policies and adhere to the "houses for living in and not for speculative investment as well as implementing city-specific policies" (房住不炒，因城施策) to achieve the "stabilizing land prices, housing prices and expectations" (穩地價，穩房價，穩預期). In November 2022, the central bank and the China Banking and Insurance Regulatory Commission jointly issued the Notice on the Current Work of Financial Support for the Stable and Healthy Development of the Real Estate Market, which increased support for real estate enterprises from the perspective of financial institutions to stabilise the development of the real estate market. Further, in December 2022, the Central Economic Work Conference explores a new development model for the PRC property industry and emphasises on promoting a virtuous cycle and healthy development of the PRC property industry. Since 2023, local governments have also continued to introduce policies to boost demand in the sector by lowering purchase and lending limitations, relaxing household requirements and increasing central provident fund loan limits.

Competitive landscape of the construction industry in the PRC and Guangdong Province

The construction industry in the PRC is highly fragmented, though the leading construction enterprises in the PRC are dominated by SOEs. While these SOEs heavily rely upon domestic infrastructure investments, which is largely driven by government spending initiatives, other emerging non-SOE private construction enterprises seek opportunities in the massive construction market in the PRC by focusing on building up their own strengths and competitive advantages. 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 among all private construction enterprises in 2022, 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 Guangdong Province is highly fragmented, with top five private construction enterprises in Guangdong Province occupying approximately 15.0% market share in terms of revenue among all private construction enterprises in Guangdong Province in 2022.

Ranking and market share of top 5 private construction enterprises headquartered in Guangdong Province in terms of revenue in Guangdong Province, 2022

Ranking	Private construction enterprise	Identity and background	Revenue (in RMB billion)	Market share
1	Company A	A subsidiary of Country Garden Holdings Company Limited, a Hong Kong listed company (stock code: 2007) based in Foshan, Guangdong Province, mainly engaged in engineering construction and building construction projects.	37.3	6.2%
2	Company B	A private company based in Maoming, Guangdong Province, mainly engaged in building construction, building materials, construction labour management and real estate development.	16.5	2.8%
3	Company C	A private company based in Guangzhou, Guangdong Province, mainly engaged in building construction, municipal utilities, electromechanical installation and building decoration.	15.0	2.5%
4	Company D	A private company based in Maoming, Guangdong Province, mainly engaged in infrastructure construction, building construction and engineering services.	13.5	2.3%
5	Company E	A subsidiary of Guangzhou R&F Properties Co., Ltd., a Hong Kong listed company (stock code: 2777) based in Guangzhou, Guangdong Province, mainly engaged in design, development, sales and management of large-scale real estate projects.	7.1	1.2%
	Top five		**89.4**	**15.0%**
	Total private		**600.0**	**100.0%**

Source: Guangdong Construction Industry Association and Frost & Sullivan

Drivers affecting the performance of the construction industry in the PRC

1. *Sustained urbanisation*

According to the National Bureau of Statistics of the PRC, the urbanisation rate in the PRC reached approximately 65.2% in 2022 and it is projected to reach approximately 72.0% in 2027, representing a CAGR of approximately 2.0%. The continuous urbanisation will drive the demand for residential, industrial, and commercial building construction projects, public works, as well as civil engineering constructions and therefore stimulate the development of construction industry in the PRC.

2. *Growth in infrastructure investments*

The construction industry is capital-driven, its development is greatly attributed to the continuous growth in fixed asset investment. The PRC government seek to drum up economic growth amidst the COVID-19 pandemic outbreak by boosting investment spending on infrastructure projects. The total investment in fixed asset rose to approximately RMB58.0 trillion in 2022, with an increase of approximately 4.8% as compared to that of 2021. The PRC government has consistently maintained public spending on infrastructure development as a mean of stimulating the macro economy and to further improve the growth of the construction industry.

3. *Favourable policies from governments*

In recent years, the central and local government authorities have intensively introduced incentive policies to accelerate the application of industrialisation and information technology such as BIM and the development of prefabricated construction. According to the "14th Five-Year Plan (2021–2025) for National Economic and Social Development" (《國民經濟和社會發展「十四五規劃」(2021–2025)》) has proposed to speed up the construction of infrastructure in the PRC covering sectors such as transportation, water conservancy and energy facilities, to further improve national basic public services level. Moreover, the provincial government of Guangdong Province has also released a corresponding five-year plan to promote the construction industry, where efforts will be made to strengthen the development of infrastructure and other construction sectors.

Market trends and development of construction industry in the PRC

The construction industry in the PRC has developed significantly in recent years as a result of high economic growth and a strong real estate market. Innovative technologies, building techniques and practices, concepts and construction products are steadily being adopted by major construction companies in PRC. For example:

1. *Increased complexity and scale of construction projects and comprehensiveness of services*

As construction projects are becoming more complex and greater in scale with the increasing urbanisation rate and the rapid development of the construction industry in the PRC, opportunities are created for construction enterprises, demanding higher standard of project management in terms of modelling, evaluation and control to achieve an overall equilibrium of time, cost, quality and safety. Besides, construction enterprises have been more active in the recent years to develop organic growth strategies or through mergers and acquisitions to transform themselves into integrated full-service construction enterprises to better capture the growing market.

2. *Mechanisation, robotisation and automation of construction processes*

With the development of the economy and society in the PRC, labour force in the construction industry is increasingly scarce, resulting in the rising cost of labour. According to the nation's "14th Five-Year Plan", efforts will be made to promote parts-producing robots and explore the application scenarios for robots used for operations and maintenance. There are also plans to deploy construction robots in the construction industry for mass application by 2025. Thus, with the development of mechanisation, robotisation and automation of construction processes, the demand for labour force will be reduced and higher efficiency will be expected in the future.

3. *Adoption of green building technology*

Green building has become increasing important to the nation's strategy to transform and upgrade the construction industry. Green building facilitates as a starting point in reaching peak carbon dioxide emission and achieving carbon neutrality. In the "14th Five-Year Plan", the PRC government made emphasises on the development of the green industry and many provincial governments have developed incentive policies to provide subsidies or tax benefits for real estate developers for their engagements in the development of green buildings. It is believed that the development of green buildings will effectively drive the growth of the construction industry including subsectors such as new building materials, new energies and related services in the future.

Key entry barriers of the construction industry in the PRC

1. *Qualification and track record barrier*

General contractors are required to obtain qualifications approved by the MOHURD and local government authorities in order to perform construction projects in the PRC. The qualification of general construction contracting is divided into different grades, and is awarded based on factors including, but not limited to, registered capital, track record, scale of operation, equipment and machinery capacity, technological innovation, minimum member of technical and managerial employees, etc. General contracts with entry-level qualifications are restricted to perform medium to small scale construction projects. New entrants without a proven track record are at a disadvantage in winning project tenders and contracts as developers and governments tend to cooperate with construction companies that have a proven track record and sound reputation based on years of experience in the construction industry.

2. *Capital and cash-flow barrier*

In order to enter the construction industry, substantial capital and sound cash-flow management is necessary to support the significant upfront expenditures required for the purchase of raw materials, labour recruitment and purchase/lease of equipment and machinery for its construction projects. Construction enterprises also need to set aside funds in the event of any cash-flow mismatch between the time in receipt of payment from its customers and payments to its suppliers, which may include retention monies held by its customers during a project until the end of the agreed defects liability period. In addition, large-scale construction projects will generally have a higher requirement in terms of registered capital imposed on construction enterprises undertaking such projects. Therefore, it is difficult for new entrants without sufficient capital and cash-flow to undertake sizable construction projects.

3. ***Environmental compliance barrier***

With the increasing attention of environmental sustainability, construction enterprises are expected to comply with more strict environmental protection laws and regulations on matters such as noise control, air pollution control, waste disposal, etc. New entrants need to devote a large amount of time and effort in order to be comply with various regulations which can be a potential barrier for these new entrants.

Threats and challenges of the construction industry in the PRC

1. ***Labour shortage***

Labour shortages have become an increasingly severe challenge in the construction industry. The number of workers willing to work in the traditional construction industry is decreasing affecting domestic supply of construction workers. In addition, aging of labour force, coupled with the ongoing skilled labour shortage, provides a major challenge to those in the industry. However, contemporary intelligent manufacturing construction methods can highly reduce the reliance on manual labour and enhance productivity as compared to the traditional construction methods.

2. ***Increasing costs***

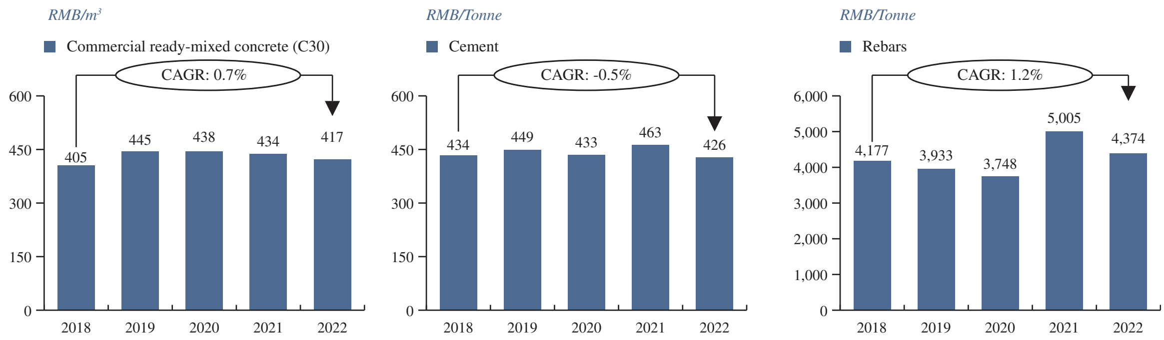
Rising of cost of labour and raw material is a major threat in the construction industry. Labour and raw materials are integral components in construction projects, and these costs fluctuate depending on a variety of factors, such as changes in domestic supply and demand, global and local economies, and other related government policies.

PRICE TRENDS OF MAJOR COST COMPONENTS OF THE CONSTRUCTION INDUSTRY IN THE PRC

Raw materials

Ready-mixed concrete, cement and steel (being rebars) are three major raw materials used in the construction industry and rebar is a major type of steel used in constructions. Cement is the primary ingredient of concrete and thus the price of concrete correlates and fluctuates with that of cement. The prevailing market price of these raw materials can vary widely depending on their grade quality and their supply and demand from areas to areas at any given time.

Price trend of major constructions materials in the PRC (Concrete, Cement, Rebars), 2018–2022



Source: National Bureau of Statistics of the PRC, China Cement Products Industry Association and Frost & Sullivan

Notes:

1. All prices are exclusive of tax.

2. Grades of concrete are defined by the number next to the letter "C", which indicates the minimum compressive strength the concrete must possess after 28 days. Prices of C30 ready-mixed concrete is used in the respective graph above for demonstration purpose.

3. The prices from 2018 to 2022 are calculated based on the average of the average monthly price for the relevant year.

The price of major construction materials in the PRC between 2018 and 2022 was relatively stable, though there was a temporary downtrend in 2020 due to the slowdown of construction activities amid the outbreak of COVID-19 despite an increase in price of raw materials during the first quarter of 2020, which later regained their positions in 2021.

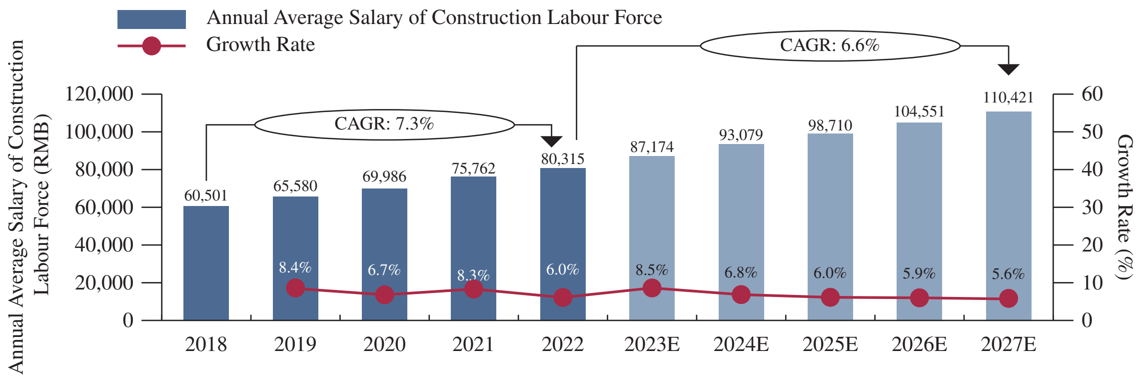
The price trend of C30 ready-mixed concrete between 2018 and 2022 was relatively stable, its average price grew from approximately RMB405 per m^3 in 2018 to approximately RMB417 per m^3 in 2022, representing a CAGR of approximately 0.7%.

Over the period from 2018 to 2022, the average price of cement was relatively stable, it decreased from approximately RMB434 per tonne in 2018 to approximately RMB426 per tonne in 2022, representing a CAGR of approximately –0.5%.

As for the average price of rebars, it decrease from approximately RMB4,177 per tonne in 2018 to approximately RMB3,933 per tonne in 2019 and further decrease to approximately RMB3,748 in 2020. In 2021, the demand for downstream industries such as construction, home appliances and automobiles increase. Thus, the average price of rebars experienced a rapid increase and reached approximately RMB5,005 per tonne by the end of 2021. In 2022, the average price of rebars decreased to RMB4,374 per tonne, representing a CAGR of approximately 1.2% from 2018.

Labour

Annual Average Salary of Employed Persons in Construction Industry (the PRC), 2018–2027E



Source: National Bureau of Statistics of the PRC and Frost & Sullivan

The industry has witnessed a shortage of labour due to the growing income of other industries in the past years, and it is increasingly difficult to retain experienced talent and attract new talent of the younger generation. Thus, the average salary of employed persons in the construction industry in the PRC has grew rapidly at a CAGR of approximately 7.3% from 2018 to 2022 and it is expected it will continue to grow at a CAGR of approximately 6.6% from 2022 to 2027 reaching approximately RMB110,421 by the end of 2027.

An increasing labour cost will bring challenges to general contractors. On one hand, general contractors will need to retain and recruit talents by providing attractive remuneration, but on the other hand, general contracts must tightly control labour cost to maintain its project profitability.

IMPACT OF THE OUTBREAK OF COVID-19 ON THE CONSTRUCTION INDUSTRY

1. Higher cost of raw material

Amid the outbreak of the COVID-19, there was a temporary imbalance of supply and demand of construction raw materials, the price of such raw materials has soar in the first quarter of 2020 affecting the profit margin of many construction enterprises.

2. Shortage of labour

As a typical labour-intensive industry, construction enterprises were heavily impacted by the shortage of labour in early 2020 as a result of extended Chinese New Year holiday and delayed in resumption of work due to restriction and lockdown policies imposed by the PRC government. In a survey conducted by the China Construction Industry Association (《中國建築業協會》) published on 15 April 2020, in which 804 enterprises took part, approximately 90.6% of respondents said the outbreak of COVID-19 had a negative impact on construction progress, and approximately 66.0% reported a shortage of labour.

3. Shortfall of cash-flow

In order to control the spread of COVID-19 in early 2020, the government of the PRC imposed various restriction and lockdown policies, resulting in disruption to business activities. The suspension of construction operations, along with the increased cost of raw materials and equipment and machinery had put a heavy burden on construction enterprises, due to the (i) slowdown of receivables collection from its customers; (ii) increased difficulty in controlling cost; and (iii) increased mismatch between payables and receivables.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a research on the construction industry in the PRC and to prepare the Frost & Sullivan Report at a total fee of RMB725,000. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training and has over 40 offices with over 2,000 industry consultants, market research analysts and economists.

Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with leading industry participants and industry experts and (i) secondary research, which involved reviewing company annual reports, independent research reports and data based on its own research database. The Frost & Sullivan Report was complied based on the following assumptions: (i) the PRC's economy is likely to maintain steady growth in the forecasted period; (ii) the PRC's social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers like sustained economy growth and urbanisation, growth in infrastructure investments, promotion from prefabricated construction industry, favourable policies from governments are expected to boost the development of the construction industry of the PRC and Guangdong Province.

This section summarises the principal PRC laws and regulations which are relevant to our business and operations. As this is a summary, it does not contain the detailed analysis of the PRC laws which are relevant to our business and operations.

QUALIFICATIONS

The Construction Law of the PRC (中華人民共和國建築法, the "**Construction Law**") promulgated by the SCNPC on 1 November 1997 which came into effect on 1 March 1998 and last amended on 23 April 2019, the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry* (建築業企業資質管理規定) promulgated by the MOHURD on 22 January 2015 which came into effect on 1 March 2015 and last amended on 22 December 2018, the Notice on Issuance of Qualification Standards of Enterprises in the Construction Industry* (住房和城鄉建設部關於印發《建築業企業資質標準》的通知) promulgated by the MOHURD on 6 November 2014, implemented on 1 January 2015 and amended on 14 October 2016, the Notice on Issuance of the Construction Enterprise Qualification Management Regulations and the Implementation of Quality Standards* (住房和城鄉建設部關於印發《建築業企業資質管理規定和資質標準實施意見》的通知) promulgated by the MOHURD on 31 January 2015 which came into effect on 1 March 2015 and last amended on 16 January 2020, together with other regulations, stipulate the application requirements and the scope of activities of contracting construction enterprises.

Construction enterprises shall comply with the aforesaid regulations and apply for relevant qualifications to engage in the construction contracting business. The general construction contracting qualification has 12 categories and is generally divided into four grades, namely, the premium-grade, the first-grade, the second-grade and the third-grade. The specialised subcontracting qualification has 36 categories and is generally divided into three grades, namely, the first-grade, the second-grade and the third-grade. The Qualification Standards of Construction Enterprises* (建築業企業資質標準) sets forth detailed provisions on the application requirements for each type and grade of qualification mentioned above.

Enterprises holding the qualification for general construction contracting work may undertake construction project management services in accordance with the scope of their qualification. Such enterprises may undertake all aspects of the construction works themselves, or subcontract specialised construction works to subcontracting enterprises. Such enterprises may also hire labour subcontracting agents to carry out the construction work. Construction work should be subcontracted to subcontracting enterprises with relevant qualifications, and labour work should be subcontracted to labour subcontracting agents with relevant qualifications.

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

If the construction enterprise needs to continue to use qualification certificates after the period of validity expires, an application for renewal shall be made within three months before the expiration.

Pursuant to the notice issued by the State Council regarding Deepening the Reform of Separating Permits from Business Licenses and Further Increasing the Development Vitality of Market Participants* (國務院關於深化"證照分離"改革進一步激發市場主體發展活力的通知) on 19 May 2021, the qualifications for enterprises undertaking construction are adjusted from three classes to two classes, the third class is revoked, and the conditions for the second class are correspondingly adjusted. As at the Latest Practicable Date, the MOHURD has not officially issued the new Qualification Standards of Enterprises in the Construction Industry (建築業企業資質標準) with respect to such reform matters.

ADMINISTRATION OF TENDER AND BID

According to the Law on Bid Invitation and Bidding of the PRC (中華人民共和國招標投標法) promulgated by the SCNPC on 30 August 1999 and amended on 27 December 2017, a tender is required for the survey, design, construction and consultancy of projects in China, including projects involving large-scale infrastructure and public utility relating to public interest and safety, projects entirely or partially financed by state-owned funds or loans by the State and projects financed by loans and financial aid from international organisations or foreign governments.

The Provisions on Engineering Projects which must be Subject to Bidding* (必須招標的工程項目規定) promulgated by the NDRC on 27 March 2018 and effective on 1 June 2018 and the Administrative Measures of Bidding for Construction of the House Building and Municipal Infrastructure Projects* (房屋建築和市政基礎設施工程施工招標投標管理辦法) promulgated by the MOHURD on 1 June 2001 and last amended on 13 March 2019 set out the scope of construction projects which shall be subject to bidding and provide for the specific requirements for bidding. The Provisions on Tender and Bidding of Construction Projects* (工程建設項目施工招標投標辦法) promulgated by the NDRC on 8 March 2003 and amended on 11 March 2013 and the Regulations on the Implementation of the Law on Bid Invitation and Bidding of the PRC* (中華人民共和國招標投標法實施條例) promulgated by the State Council on 20 December 2011 and last amended on 2 March 2019 specify the requirements and procedures for bidding.

ADMINISTRATION OF QUALITY OF CONSTRUCTION PROJECTS

Pursuant to the Administrative Regulations on Construction Project Quality* (建設工程質量管理條例) promulgated by the State Council on 30 January 2000 and last amended on 23 April 2019, construction enterprises, survey firms, designers and project supervisory enterprises shall be responsible for the quality of construction works. For construction projects, where all of the construction works are governed by a main contract, the general contractor of the construction project shall be responsible for the quality of the whole project. Whereas if the general contractor subcontracts the construction works to a subcontractor, the subcontractor shall be liable to the main contractor when the quality of the subcontracted works fails to meet the standard provided by the contract between them, and the general contractor and subcontractor shall be jointly and severally responsible for the quality of the subcontracted works.

CONSTRUCTION SAFETY

The Work Safety Law of the PRC (中華人民共和國安全生產法) which was issued on 29 June 2002, last amended on 10 June 2021 and came into effective on 1 September 2021, provides that a production enterprise must meet the national standards or industry standards on work safety and provide the required work conditions as set out in the relevant laws, administrative rules and national or industry standards. An entity that cannot provide required work conditions shall not engage in production activities.

According to the Regulations on the Administration of Work Safety of Construction Projects* (建設工程安全生產管理條例) issued on 24 November 2003 and came into effect on 1 February 2004, the general contractor will be liable for the general work safety of the construction site and assume joint and several liabilities for the sub-contracted portions of the project together with the sub-contractors.

Work safety licences

Pursuant to the Work Safety Law of PRC, the Regulation on the Administration of Work Safety of Construction Projects, the Regulation on the Work Safety Licenses* (安全生產許可證條例) issued by the State Council on 13 January 2004 and last amended on 29 July 2014, and the Provisions on the Administration Regulation on Work Safety License of Construction Enterprise* (建築施工企業安全生產許可證管理規定) promulgated by the MOC on 5 July 2004, implemented on the same date and further amended by the MOHURD on 22 January 2015, construction enterprises shall be subject to the work safety licence system implemented by the PRC Government and apply for a work safety licence (安全生產許可證). Before undertaking any construction activity, a construction enterprise shall file an application to the competent department of construction at or above the provincial level for obtaining a work safety licence. Without work safety licences, construction enterprises shall not engage in construction activities.

The competent department of construction shall, when making examination and issuing a construction license, examine whether the construction enterprise has obtained a work safety license. If the enterprise failed to obtain a work safety license, it shall not be issued a construction license.

Work safety accidents regulations

Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents* (生產安全事故報告和調查處理條例), issued by the State Council on 9 April 2007 and effective on 1 June 2007, work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorised as follows:

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

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

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

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

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

In accordance with the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated on 26 December 1989 and last amended on 24 April 2014 by the SCNPC, the Law on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) promulgated on 30 October 1995 and last amended on 29 April 2020 by the SCNPC, and the Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國噪聲污染防治法) promulgated by the SCNPC on 24 December 2021 and came into effect on 5 June 2022, the construction of any project that causes pollution shall adopt measures to control environmental pollution and harm resulting from dust, solid waste materials, noise and vibration at construction sites. The State Environmental Protection Administration and local governmental authorities in charge of environmental protection are responsible for the supervision and administration of environmental protection during the course of construction.

The sanctions imposed for entities in breach of environmental protection laws vary in accordance with the extent of the pollution and the circumstances of the breach. These sanctions include warnings, fines, and remedial actions within prescribed timelines, suspension or cessation of operations. Entities in breach will also be liable to indemnify entities who have suffered losses as a result of the pollution.

TAXES

Enterprise income tax

Pursuant to the Enterprises Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") which was promulgated by the National People's Congress on 16 March 2007 and last amended on 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) which was promulgated by the State Council on 6 December 2007 with effect from 1 January 2008, and was last amended on 23 April 2019 with effect from the same date, a uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such incomes are obtained outside the PRC but have an actual connection with the set-up institutions or sites. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, as well as the income incurred outside the PRC but with an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up in the PRC but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall only pay enterprise income tax in relation to the income originating from the PRC.

Withholding income tax

In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, last amended on 31 December 2019, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds 25% or more of equity interest in each of such PRC subsidiary at the time of the distribution, or a rate of 10% if it holds less than 25% equity interest in that subsidiary.

According to the Notice on the Issues Concerning the Application of the Dividends Clauses of Tax Treaties issued by SAT on 20 February 2009, the proportion of equity owned by the tax resident of the other side shall, at any time within the successive 12 months before receiving dividends, comply with the specific proportion provided in the tax agreement.

VAT

The Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax* (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the "**Circular 36**"), promulgated on

23 March 2016 and last amended on 20 March 2019, provides that upon approval by the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be implemented nationwide with effect from 1 May 2016 and all business tax payers in the construction industry, property industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot programme and pay VAT in lieu of business tax.

According to Circular 36 and the Interim Regulation of PRC on Value-added Tax* (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 and last revised on 19 November 2017, the VAT rate to be imposed on construction services shall be 11%. According to the Notice of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates* (財政部、稅務總局關於調整增值稅稅率的通知) promulgated on 4 April 2018, the tax rate of 11% applicable to any taxpayer's VAT taxable construction services shall be adjusted to 10%. According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告) promulgated on 20 March 2019 and came into effect on 1 April 2019, the tax rate of 10.0% applicable to any taxpayer's VAT taxable construction services shall be adjusted to 9.0%.

According to the Announcement of the SAT on Promulgating the Provisional Measures for the Administration of Levying Value-added Tax on Construction Services Provided across Counties (Cities or Districts) by Taxpayers* (國家稅務總局關於發佈《納稅人跨縣(市、區)提供建築服務增值稅徵收管理暫行辦法》的公告) issued on 31 March 2016 and revised on 15 June 2018, the tax pre-payable on the construction services that are provided across counties (cities or districts) by a general taxpayer and subject to taxation under the simple tax computation method shall be calculated at a pre-payment rate of 3% based on the balance of the obtained total consideration and other charges less the paid subcontract price.

LABOUR PROTECTION AND SOCIAL SECURITY

On 5 July 1994, the SCNPC promulgated the Labour Law of the PRC (中華人民共和國勞動法), which was implemented since 1 January 1995 and last amended on 29 December 2018. On 29 June 2007, the SCNPC promulgated Labour Contract Law of the PRC (中華人民共和國勞動合同法), which was implemented since 1 January 2008 and last amended on 28 December 2012. In addition, the State Council promulgated the Implementation Regulations on Labour Contract Law of the PRC* (中華人民共和國勞動合同法實施條例) on 18 September 2008. Pursuant to the above-mentioned laws and regulations when an employer hires an employee, it should sign a written labour contract with the employee and the employees' salary must not be lower than the local minimum wage.

As required under the Social Insurance Law of the PRC* (中華人民共和國社會保險法) issued by the SCNPC on 28 October 2010 and last amended on 29 December 2018 and the Provisions for Implementation of the Social Insurance Law of the PRC* (實施〈中華人民共和國社會保險法〉若干規定) issued on 29 June 2011 and effective on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. When an employer fails to process social insurance registration, the social insurance administrative authority shall order the employer to make rectification within a prescribed period. Where an employer fails to make rectification within the prescribed period, it shall be liable for a fine of one to three times its assessed social insurance contribution. Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all or outstanding contributions within the prescribed period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such prescribed period, the relevant administrative authority may impose a fine equivalent to one to three times the overdue amount.

According to the Regulations concerning the Administration of Housing Provident Fund* (住房公積金管理條例) promulgated by the State Council on 3 April 1999 and last amended on 24 March 2019, enterprises must register with the competent managing centre for housing provident funds and complete procedures for opening an account for the deposit of employees' housing provident funds. For enterprises which fails to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative centre shall order the relevant enterprises to make corrections within a designated period and if the relevant enterprises still fail to make corrections within the designated period, they shall be subject to a fine ranging from RMB10,000 to RMB50,000. Employers are required to contribute, on behalf of their employees, to housing provident funds. The employer shall make full contribution to the housing provident fund on time and no delay or under-contribution is allowed. Where an employer fails to pay or fully pay the housing provident fund, the housing provident fund management centre shall order it to make payment within the prescribed period; if it fails to make payment within such prescribed period, the centre may apply to the people's court for enforcement.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in PRC is governed by the Company Law of the PRC. A foreign-invested company is also subject to the Company Law of the PRC unless otherwise provided by the foreign investment laws.

Pursuant to the Foreign Investment Law of the PRC (中華人民共和國外商投資法) promulgated on 15 March 2019 and came into effect on 1 January 2020, and the Implementation Regulations for the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例) promulgated by the State Council on 26 December 2019 and came into effect on 1 January 2020, the State implements a management system of national treatment before the entry of foreign investment plus a negative list. Foreign investors shall not invest in areas where investment is prohibited under the negative list for the admission of foreign investment. Foreign investors shall meet the conditions set forth in the negative list for the admission of foreign investment to invest in the areas where investment is restricted under the negative list. Management of foreign investment in the areas beyond the negative list shall be implemented in accordance with the principle of equality between domestic and foreign investment. The relevant provisions of the Foreign Investment Law and its implementation regulations shall apply to investments within the territory of the PRC by foreign investment enterprises. If the investment conducted by investors from Hong Kong Special Administrative Region and Macau Special Administrative Region, the Foreign Investment Law and the Implementation Regulations for the Foreign Investment Law shall apply.

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版)), which was promulgated by the MOFCOM and the NDRC on 27 December 2021 and became effective on 1 January 2022, our Group's current business which involves construction contracting does not fall within the scope of the Negative List.

On 30 December 2019, the MOFCOM and the State Administration for Market Regulation jointly issued the Measures for Reporting of Foreign Investment Information* (外商投資信息報告辦法) (the "**Foreign Investment Information Measures**"), which came into effect on 1 January 2020. Since 1 January 2020, where foreign investors carry out investment activities directly or indirectly in the PRC, foreign investors or foreign-invested enterprises shall submit investment information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the State Administration for Market Regulation. Foreign investors or foreign-invested enterprises shall report investment information by submitting reports for their establishments, modifications and cancellations and their annual reports in accordance with the Foreign Investment Information Measures.

In Accordance with the M&A Rules promulgated by the MOFCOM and other five authorities on 8 August 2006 and amended on 22 June 2009, a foreign investor is required to abide by the M&A Rules when he/she (i) establishes a foreign-funded enterprise either by acquiring equity in a domestic non-foreign invested enterprise, or subscribing for new equity in a domestic enterprise via an increase of registered capital; or (ii) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. Approval from the MOFCOM is required if a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him.

FOREIGN CURRENCY EXCHANGE

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administrative Regulations (外匯管理條例) (the "**SAFE Regulations**") which was promulgated by the State Council on 29 January 1996 and last amended on 5 August 2008. Under the SAFE Regulations, RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the State Administration of Foreign Exchange (the "**SAFE**") is obtained.

Pursuant to the Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles* (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (promulgated and implemented on 4 July 2014), offshore enterprise directly established or indirectly controlled by the domestic residents (including domestic organisations and natural persons) with their legally owned onshore or offshore assets and equity, for the purposes of investment and financing shall be subject to foreign exchange registration for offshore investment with SAFE. In the event of any change of basic information of the registered overseas special purpose companies such as the individual shareholder, name, operation term, or if there is a capital increase/decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment with SAFE in a timely manner. Foreign-invested enterprises established in return investments shall be subject to completion of relevant foreign exchange registration formality in accordance with the effective provisions on the foreign exchange administration of direct investment of foreign investors, and shall disclose the de facto controller and other relevant information of the shareholders. After a special purpose company has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (promulgated on 13 February 2015 and implemented on 1 June 2015 and last amended and implemented on 30 December 2019), the SAFE decided to further simplify and improve policies for the foreign exchange administration of direct investment around the entire nation, by cancelling two administrative approval items: confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment and, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks and simplifying the procedures for some foreign exchange transactions under direct investment.

INTELLECTUAL PROPERTY

Patent

The SCNPC adopted the Patent Law of the PRC (中華人民共和國專利法) in 1984, as most recently amended on 17 October 2020. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. A patent is valid for a twenty-year term in the case of an invention and a ten-year term in the case of a utility model, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

Trademark

In accordance with the Trademark Law of the PRC (中華人民共和國商標法), which was promulgated on 23 August 1982, and newly amended by the SCNPC on 23 April 2019, the Trademark Office of the administrative department for industry and commerce under the State Council shall be responsible for the registration and administration of trademarks in China. The administrative department for industry and commerce under the State Council has established a Trademark Review and Adjudication Board to be responsible for handling trademark disputes. Any individual, legal person or other entity that needs to acquire the right to exclusive use of a trademark for the commodities produced, manufactured, processed, selected or marketed shall apply to the Trademark Office for trademark registration. The period of validity of a registered trademark shall be ten years, starting from the day the registration is approved. When it is necessary to continue using the registered trademark upon expiration of period of validity, an application for renewal shall be made within 12 months before the expiration. If such an application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be 10 years as of the next day of the previous period of validity. If the formalities for renewal have not been handled upon expiration of the aforesaid extension period, the registered trademarks will be deregistered.

OVERSEAS LISTING

On 6 July 2021, the relevant PRC governments promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities* (關於依法從嚴打擊證券違法活動的意見), among which it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by PRC companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities. However, the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities were only issued recently, its interpretation and implementation shall be determined in accordance with the laws and regulations in force at the time.

On 17 February 2023, the CSRC promulgated six rules and regulations, including the Overseas Listing Trial Measures and five supporting guidelines, which became effective on 31 March 2023. The Overseas Listing Trial Measures shall apply to the following overseas issuance: (i) direct overseas offerings and listings of domestic PRC companies, and (ii) indirect overseas offering and listing of a foreign company with major business operations and/or assets located in the PRC. An issuer will be qualified for the scenario (ii) above, if it satisfies both conditions below: (1) more than 50% of its audited financial indicators (operating revenue, profits, total assets or net assets) for the most recent accounting year are accounted for by the domestic companies of the issuer; and (2) major business activities or operations are conducted in the PRC, or main places of business are located in the PRC or the majority of senior management domicile in the PRC or are Chinese citizens. Despite the foregoing, regulators have the discretion to determine whether or not an overseas offering and listing is indirect on a substance over form basis. The securities subject to the Overseas Listing Trial Measures include equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities.

According to the Overseas Listing Trial Measures, an issuer shall submit required filing documents to the CSRC within three working days after the overseas listing application is submitted to the relevant overseas regulator or listing venue. Generally, once the filing documents are complete and in compliance with the stipulated requirements, the CSRC will, within 20 working days, conclude the review procedure and publish the filing results on the CSRC website. To the extent the filing documents are incomplete or do not conform to stipulated requirements, the CSRC will, within five working days upon receipt of filing documents, request supplementation and amendment to the filing. Then the issuer has 30 working days to prepare any requested supplemented/amended filing. In addition, following the listing on an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of the following events involving the issuer: (1) change of control; (2) investigations or sanctions imposed by overseas regulators; (3) change of listing status; and (4) voluntary or involuntary delisting. Besides, if any material change in the principal business and operation of the issuer after its overseas offering and listing takes place and results in the issuer no longer within the scope of record-filing under Overseas Listing Trial Measures, the issuer shall submit a special report and a legal opinion issued by a PRC law firm to the CSRC within three working days after the occurrence of such change in order to provide an explanation of the relevant situation.

The Overseas Listing Trial Measures also stipulate the circumstances where the overseas offering and listing is explicitly prohibited, including: (1) offerings and listings are explicitly prohibited by laws and regulations; (2) offerings and listings may endanger national security; (3) the PRC domestic companies of the listing applicant or its controlling shareholder or actual controlling person are involved in criminal offenses in the last three years, such as corruption, bribery, embezzlement, misappropriation of property; (4) the listing is under investigations for suspicion of criminal offenses or is involved in major violations of laws and regulations and no conclusion of the investigation has yet been made; or (5) there are material ownership disputes over equity interests held by controlling shareholders (or by shareholders who are controlled by the controlling shareholder or actual controlling person).

If a domestic company fails to comply with the filing procedures as required, or if it is listed outside of China despite being prohibited from doing so, the CSRC shall order the domestic company to rectify the situation, issue a warning and impose a fine of not less than RMB1,000,000 and not more than RMB10,000,000. A warning shall be given to the directly responsible officer and other directly responsible persons and a fine of not less than RMB500,000 and not more than RMB5,000,000 shall be imposed. If the controlling shareholder or the actual controller of the domestic company organizes or instructs to engage in the above illegal acts, he shall be liable to a fine of not less than RMB1,000,000 and not more than RMB10,000,000. A fine of not less than RMB500,000 and not more than RMB5,000,000 shall be imposed on the directly responsible officer and other directly responsible persons.

On 24 February 2023, the CSRC, the MOF, the National Administration of State Secrets Protection (國家保密局) and the National Archives Administration of China (國家檔案局) jointly released the Confidentiality Provisions, which came into effect on March 31, 2023. According to the Confidentiality Provisions, if a domestic joint stock company with a direct overseas listing or a domestic operating entity with an indirect overseas listing provides or publicly discloses, or provides or publicly discloses through its overseas listed entity, documents or information involving state secrets or secrets of the work of state organs, or other documents or information the disclosure of which would adversely affect national security or public interests, the corresponding procedures shall be strictly complied with in accordance with the relevant state regulations.

BUSINESS DEVELOPMENT OF OUR GROUP

Our history can be traced back to 2017 since the establishment of Zhongshen Jianye. Mr. Sang and Mr. Xian became acquainted with each other when they worked as colleagues in a construction company in 2016. Mr. Sang and Mr. Xian considered that given the State's support since 2016, the recent years have been the prime for the development of Shenzhen as well as the entire Greater Bay Area while the construction sector possesses one of the most favorable development basis and vision under various State policies such as the Outline of the 13th Five-Year Plan* ("十三五"規劃綱要) issued by the National People's Congress in 2016, Guiding Opinions on Deepening Pan-Pearl River Delta (PRD) Regional Cooperation* (國務院關於深化泛珠三角區域合作的指導意見) issued by the State Council in 2016 and the Five-Year Action Plan for Urban Infrastructure Construction in Shenzhen (2016–2020)* (深圳城市基礎設施建設五年行動計劃 (2016–2020年)) issued by the Development and Reform Commission of Shenzhen in May 2016, infrastructure connectivity in the Greater Bay Area would be improved, the development of the construction sector in Shenzhen would be advanced and the development of cooperation platforms amongst various provinces would further help developing the key projects in the region.

Further, Mr. Sang Tieda, the father of Mr. Sang, possesses extensive experience in the construction industry in the PRC and is well aware of the development potential of the construction industry in the PRC, especially the Guangdong Province through his participation in the subcontracting of construction projects in Shenzhen since the 2000s. Mr. Sang and Mr. Xian, having accumulated strong interest in construction engineering and sufficient experience in the PRC construction industry, established Zhongshen Jianye in the PRC as a limited liability company on 8 June 2017 to better capture the potential business opportunity in the growing construction market in Shenzhen and to seek better integration into the development trend of the Greater Bay Area.

The requisite industry know-how, experience and customer network for establishing and developing our Group's business in the early stage were mainly contributed by Mr. Xian who has acquired the same from his education background and past work experience. After graduated from the Shantou Polytechnic (汕頭職業技術學院), Mr. Xian served as a budget appraiser in Heyuan City Construction Engineering Co., Ltd.* (河源市城市建設工程有限公司), a company established in 2009 and principally engaged in municipal and public works construction, from July 2009 to June 2010. He was involved in a project in contract value of approximately RMB1.5 million and was mainly responsible for conducting cost budgeting including performing estimates according to the construction drawing plans, compiling the construction cost control plan, calculating the construction cost and issuing a cost control summary upon completion. From October 2010 to March 2013, he served as a costs accounting specialist in Shenzhen Futian Jianan Construction Group Co., Ltd.* (深圳市福田建安建設集團有限公司), a company established in 1993 and principally engaged in municipal and public works construction. He was involved in projects in contract sum ranging from approximately RMB28.7 million to RMB483.9 million and was mainly responsible for conducting cost estimate and control, performing business liaison including liaising with the tenderers, carrying out on-site survey, preparing bidding documents and participating in business negotiations. From May 2013 to May 2017, he served as a deputy general manager in Shenzhen Jianan Real Estate Engineering Co., Ltd.* (深圳建安置業工程有限公司), a company established in 2013 principally engaged in real estate development and construction. He was involved in projects in contract sum ranging from approximately RMB7.8 million to RMB101.2 million and was mainly responsible for daily operation management including leading in the development of a supplier database, compiling project construction costs, determining the target costs and establishing incentive management system as well as leading in business negotiations based on set target values. He has also advanced his knowledge in the construction industry by completing a degree-level programme in Huazhong University of Science and Technology (華中科技大學) when he was working in Shenzhen Jianan Real Estate Engineering Co., Ltd*. and obtained a bachelor's degree in civil engineering (online education) therefrom. He then completed a new practical real estate advanced strategy course* (新實戰型房地產高級戰略研修班) at Tsinghua Shenzhen Graduate School (清華大學深圳研究生院) in August 2018, further pursued his aspiration and professionality in the industry. With his previous experience in construction projects located in Shenzhen, Huizhou, Dongguan and Heyuan with customers both from public and private sectors, he acquired hands-on and practical knowledge in relation to operations of the construction sector ranging from cost budgeting and control to business liaison and negotiations, empowering him to institute a new business independently in the sector. In the meantime, the source of funding for the Group's business was mainly from Mr. Sang's personal financial resources coupled with the financial support from his family. Mr. Sang's parents had provided an aggregate amount of approximately RMB200.8 million, being mainly the proceeds from their investments in Shenzhen's property market since the late 1990s, for providing funding to our Group. As Mr. Sang Tieda was already at a retirement age when Mr. Sang and Mr. Xian decided to establish Zhongshen Jianye in 2017, Mr. Sang's parents offered the said fund for our Group's business. For further details about Mr. Sang's and Mr. Xian's experience in the PRC construction industry, please refer to the biographies of Mr. Sang and Mr. Xian in the section headed "Directors and senior management" in this document.

The initial registered capital of Zhongshen Jianye was RMB100.0 million, in which 80% and 20% was contributed by Mr. Sang and Mr. Xian, respectively. Since the establishment of Zhongshen Jianye, Zhongshen Jianye has been primarily focusing its business on the provision of construction service in the PRC. Zhongshen Jianye has 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).

As at the Latest Practicable Date, Zhongshen Jianye held 100% equity interests in each of Zhongshen Technology, Zhongye Jiancai, Zhongshen Ecological, Zhongshen Zhuhai, Zhongshen Jianye (Huizhou), Zhongshen Jianye Construction Design (Shenzhen) and Zhongshen Jianye Project Management (Shenzhen), all established in the PRC. For further details, please refer to the paragraph headed "Our corporate history" in this section for our subsidiaries.

BUSINESS MILESTONES

The following sets out our business development milestones:

Year	Milestone events
2017	• Zhongshen Jianye, our principal operating subsidiary, was established in the PRC
2018	• Zhongshen Jianye was first accredited with the Quality Management System Certificate (質量管理體系認證證書) for achieving the GB/T19001-2016/ ISO9001:2015 & GB/T50430-2007 standard, the Occupational Health & Safety Management System Certificate (職業健康安全管理體系認證證書) for achieving the GB/T28001-2011/OHSAS18001:2007 standard, and the Environment Management System Certificate (環境管理體系認證證書) for achieving the GB/T24001-2016/ISO14001:2015 standard
2019	• Zhongshen Jianye was recognised as an Enterprise Featured with Contract-abiding and Trustworthiness in Guangdong Province in 2019* (2019年度廣東省守合同重信用企業) by the Shenzhen Administration for Market Regulation (深圳市市場監督管理局) in 2020
	• Zhongshen Jianye was recognised as an "A" Credit Enterprise (Supreme and Class I of General Contracting for Housing Construction Group) in 2019* (2019年度房建一組(房建施工總承包特級、一級) A信用企業) by the Shenzhen Construction Industry Association (深圳建築業協會) in 2020
2020	• Zhongshen Jianye was rated as an "AAA" Credit Enterprise ("AAA"信用企業) by the China Construction Industry Association (中國建築業協會)
	• Zhongshen Jianye was honoured as one of the 2020 Top 500 Enterprises in Shenzhen (2020深圳500強企業) by the Shenzhen Enterprise Confederation (深圳市企業聯合會) and the Shenzhen Entrepreneur Association (深圳市企業家協會)
	• Zhongshen Jianye's construction project at Zhuhai (Yangjiang) Co-construction Park Jingang Avenue Municipal Supporting Project (Drainage Project)* (珠海(陽江)合作共建園區金港大道市政配套工程(排水工程)) was recognised as a Yangjiang City Housing and Municipal Engineering Safety Production Civilised Construction Demonstration Site in the first half year of 2020* (2020年度上半年陽江市房屋市政工程安全生產文明施工示範工地) by Yangjiang Construction Industry Association (陽江市建築業協會)

Year	Milestone events
	• Zhongshen Jianye's construction site at Kaixuan Mansion (East Gate)* (凱旋府(東地塊)) was awarded the Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award in the second half year of 2020* (2020年度下半年深圳市建設工程安全生產與文明施工優良工地獎) by Shenzhen Construction Industry Association (深圳建築業協會)
	• Zhongshen Jianye's construction project at Pingshan District Center for Disease Control and Prevention Project* (坪山區疾病預防控制中心項目) was awarded the Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award in the second half year of 2020* (2020年度下半年深圳市建設工程安全生產與文明施工優良工地獎) by Shenzhen Construction Industry Association (深圳建築業協會)
	• Zhongshen Jianye was recognised as a 2020 Shenzhen Business Anti-epidemic Pioneer Enterprise* (2020深商抗疫先鋒企業) by Federation of Shenzhen Commerce (深商總會), Shenzhen General Chamber of Commerce (深圳市商業聯合會), Shenzhen Time-Honored Brand Association (深圳市老字號協會) and Shenzhen Small and Medium-sized Enterprises Services Union (深圳市中小企業公共服務聯盟)
	• Zhongshen Jianye's construction site #1 to #7 Buildings of Gongyi Country Garden Phase III* (鞏義碧桂園三期1#–7#樓) was awarded the Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award in the second half year of 2020* (2020年度下半年深圳市建設工程安全生產與文明施工優良工地獎) by Shenzhen Construction Industry Association (深圳建築業協會)
	• Zhongshen Jianye's construction site at Kaixuan Mansion (East Gate)* (凱旋府(東地塊)) was awarded the Shenzhen Quality Structural Engineering Award in the second half year of 2020* (2020年度下半年深圳市優質結構工程獎) by Shenzhen Construction Industry Association (深圳建築業協會)
	• Zhongshen Jianye's construction site at Minquan Country Garden Phase III (民權縣碧桂園三期) was accredited as a Shangqiu Construction Engineering Safety Civilisation Standardisation Demonstration Site in the second half year of 2020* (2020年下半年度商丘市建築工程安全文明標準化示範工地) by Shangqiu Housing and Urban-Rural Development Bureau* (商丘市住房和城鄉建設局)

Year	Milestone events
	• Zhongshen Jianye was honoured as one of the 2020 Top 100 Enterprises in the Comprehensive Competitiveness Evaluation of Shenzhen Construction Industry* (2020年度深圳市建築行業綜合競爭力評估百強企業) by the Shenzhen Construction Industry Association (深圳建築業協會) in 2023
2021	• Zhongshen Jianye's construction site at Tower nos. 15 and 16, Minquan Country Garden Project Phase III* (民權碧桂園項目三期15#、16#樓) was awarded the Shangqiu Quality Structural Engineering Award* (商丘市優質結構工程獎) by Shangqiu Housing and Urban-Rural Development Bureau* (商丘市住房和城鄉建設局)
	• Zhongshen Jianye's construction site at Minquan Country Garden Phase III (民權縣碧桂園三期) was accredited as a Henan Province Construction Engineering Quality Standardisation Demonstration Site in the first half year of 2021* (2021年度上半年河南省建築工程質量標準化示範工地) by Henan Provincial Department of Housing and Urban-Rural Development* (河南省住房和城鄉建設廳)
	• Zhongshen Jianye was honoured as one of the 2021 Top 500 Enterprises in Shenzhen (2021深圳500強企業) by the Shenzhen Enterprise Confederation (深圳市企業聯合會) and the Shenzhen Entrepreneur Association (深圳市企業家協會)
	• Zhongshen Jianye was recognised as a Guangdong Province Construction Industry "AAA" Credit Enterprise* (廣東省建築業AAA級信用企業) by the Guangdong Province Construction Association* (廣東省建築業協會)
	• Zhongshen Jianye's construction site at Luohu District Huanyinhu Reservoir Bidao (羅湖區環銀湖水庫碧道建設工程) was awarded the Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award in the second half year of 2021* (2021年度下半年深圳市建設工程安全生產與文明施工優良工地獎) by Shenzhen Construction Industry Association (深圳建築業協會)
	• Zhongshen Jianye's construction site at Office Building No. 1, Xinqi Technology Industry Project (新祺科技產業項目1號辦公樓) was accredited as a 2021 Dongguan City Housing and Municipal Engineering Safety Production and Civilised Construction Demonstration Site* (2021年東莞市房屋市政工程安全生產文明施工示範工地) by Dongguan Construction Industry Association (東莞市建築業協會)

Year	Milestone events
2022	• Zhongshen Jianye's construction site at Basement No. 6, Factory Building No. 3, Office Building No. 1, Xinqi Technology Industry Project (新祺科技產業項目1號辦公樓、3號廠房、6號地下室工程) was awarded the 2022 Guangdong Province Construction Engineering Excellent Structure Award* (2022年廣東省建設工程優質結構獎) by the Guangdong Province Construction Association (廣東省建築業協會)
	• Zhongshen Jianye's construction project Main Works of Fengjing Yufu Project (A520–0175) (峰境譽府項目(A520-0175)主體工程) was awarded the Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award in the second half of 2022* (2022年下半年深圳市建設工程安全生產與文明施工優良工地獎) by the Shenzhen Construction Industry Association (深圳建築業協會)
	• Zhongshen Jianye's construction project the Municipal Reconstruction Project of Un-transferred Municipal Public Transportation (未移交市政管理公共道路市政化改造項目工程) was awarded the Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award in the second half of 2022* (2022年下半年深圳市建設工程安全生產與文明施工優良工地獎) by the Shenzhen Construction Association (深圳建築業協會)
	• Zhongshen Jianye was accredited as an "AAA" grade in the Certificate of Honest Supplier (誠信供應商證書), Enterprise Credit Rating Certificate (企業信用等級證書), Service and Credit Certificate (重服務守信用證書), Certificate of Compliance with Contract (重合同守信用證書), Quality and Credit Certificate (重質量守信用證書), and Credit Rating Certificate (資信等級證書) by the Yixu Credit Rating Limited* (宜旭信用有限公司)
	• Zhongshen Jianye was accredited as an "AAA" Integrity Management Demonstration Unit (AAA 級誠信經營示範單位) by the Yixu Credit Rating Limited* (宜旭信用有限公司)
	• Zhongshen Jianye was recognised as an "AAA" Credit Enterprise (Supreme and Class 1 of General Contracting for Housing Construction) for Shenzhen Construction Enterprise Housing Construction Group in 2022* (2022年度深圳市建築施工企業房建一組(房建施工總承包特級、一級)AAA信用企業) by the Shenzhen Construction Industry Association (深圳建築業協會) in 2023

Year	Milestone events
	• Zhongshen Jianye was honoured as one of the 2022 Top 500 Enterprises in Shenzhen (2022深圳500強企業) by the Shenzhen Enterprise Confederation (深圳市企業聯合會) and the Shenzhen Entrepreneur Association (深圳市企業家協會)
	• Zhongshen Jianye was honoured as one of the 2022 Top 10 Enterprises of Construction Industry Output Value in Guangming District* (2022年度光明區建築業產值十強企業) by the Guangming District Housing and Construction Bureau* (光明區住房和建設局)
	• Zhongshen Jianye was honoured as a Honest and High-quality Enterprise in the Construction Market of Luohu District, Shenzhen (General Contracting Group for Municipal Public Works Construction) in 2022* (2022年度深圳市羅湖區建築市場誠信優質企業(市政公用工程施工總承包組)) by the Shenzhen Luohu District Housing and Construction Bureau* (深圳市羅湖區住房和建設局)
	• Zhongshen Jianye was honoured as a Honest and High-quality Enterprise in the Construction Market of Luohu District, Shenzhen (General Contracting Group for Construction Engineering) in 2022* (2022年度深圳市羅湖區建築市場誠信優質企業(建築工程施工總承包組)) by the Shenzhen Luohu District Housing and Construction Bureau* (深圳市羅湖區住房和建設局)
	• Zhongshen Jianye was recognised as a Member Unit of Guangdong Construction Safety Association (Supreme Class/First Class) in 2022* (廣東省建築安全協會會員單位(特級/一級)) by the Guangdong Construction Safety Association* (廣東省建築安全協會)
	• Zhongshen Jianye was awarded the 2022 Excellent Organisational Unit of the National Digital Computer Room Installation Skills Competition (Guangdong Provincial Regional Selection) of the National Industry Vocational Skills Competition* (2022年全國行業職業技能競賽 — 全國數字化機房安裝技能競賽(廣東省地區選拔賽)優秀組織單位) by the Guangdong Construction Industry Association* (廣東省建築業協會)

Year	Milestone events
2023	• Zhongshen Jianye's construction project Main Works of Fengjing Yufu Project (A520–0175) (峰境譽府項目(A520–0175)主體工程) was accredited as a Guangdong Province Housing and Municipal Engineering Safety Production and Civilised Construction Demonstration Site, and Provincial Construction Project and Construction Safety Production Standardisation Site in the first half of 2023* (2023年上半年廣東省房屋市政工程安全生產文明施工示範工地、省建設工程項目施工安全生產標準化工地) by the Guangdong Province Construction Safety Association* (廣東省建築安全協會)
	• Zhongshen Jianye was recognised as a Vice President Unit* (副會長單位) by the Guangming Construction Science & Technology Industry Promotion Association, Shenzhen (深圳市光明區建築科技產業促進會)

OUR CORPORATE HISTORY

Zhongshen Jianye

Set out below is the brief corporate history of the establishment and changes in the shareholdings of Zhongshen Jianye, our principal operating subsidiary.

Zhongshen Jianye, initially named as Zhongjian Shenye Construction Development Co., Ltd.* (中建深業建設發展有限公司), was established in the PRC with limited liability on 8 June 2017 with an initial registered capital of RMB100.0 million. Upon its establishment, Zhongshen Jianye was held as to 80% by Mr. Sang and 20% by Mr. Xian. Zhongshen Jianye is principally engaged in the provision of construction service in the PRC.

On 15 March 2018, with the approval of the shareholders' resolutions of Zhongshen Jianye, it was resolved that the registered capital of Zhongshen Jianye be increased from RMB100.0 million to RMB368.0 million, Mr. Sang and Mr. Xian shall contribute as to RMB294.4 million and RMB73.6 million, respectively, maintaining their equity interests in Zhongshen Jianye as to 80% and 20%, respectively. Such capital increase was approved by Shenzhen Administration for Market Regulation (深圳市市場監督管理局) on 19 March 2018.

According to the capital verification report dated 16 December 2020 issued by an independent accountant firm, as of 31 July 2020, the registered capital of Zhongshen Jianye in the amount of RMB43.9 million (out of which RMB5.9 million by cash and RMB38.0 million from its undistributed profit) was paid up. According to the capital verification report dated 16 December 2020 issued by an independent accountant firm, as of 10 December 2020, the registered capital of Zhongshen Jianye in the amount of RMB36.1 million (out of which RMB30.7 million and RMB5.4 million were made by Mr. Sang and Mr. Xian, respectively) was paid up by cash. According to the capital verification report dated 17 November 2021 issued by an independent accountant firm, as of

31 August 2021, the registered capital of Zhongshen Jianye in the amount of RMB30,000,000 was further paid up from its undistributed profit and made by Mr. Sang and Mr. Xian in proportion to their equity interests in Zhongshen Jianye.

On 1 December 2021, the registered capital of Zhongshen Jianye was increased from RMB368,000,000 to RMB400,000,000 and Lefu Capital subscribed for 8% equity interest in Zhongshen Jianye by contributing RMB32,000,000 by cash to Zhongshen Jianye. Zhongshen Jianye was then held by Mr. Sang, Mr. Xian and Lefu Capital as to approximately 73.6%, 18.4% and 8.0%, respectively. For details of such capital increase and [REDACTED], please refer to the paragraphs headed "Corporate Reorganisation" and "[REDACTED] Investment" in this section. According to the capital verification report dated 23 December 2021 issued by an independent accountant firm, as of 21 December 2021, the registered capital of Zhongshen Jianye in the amount of RMB9,565,200 was paid up and made by Lefu Capital by cash.

On 21 December 2021, Zhongshen Jianye was owned as to 92% by Zhongshen Jianye (Shenzhen) and 8% by Lefu Capital. For details of this change of shareholding of Zhongshen Jianye, please refer to the paragraph headed "Corporate Reorganisation" in this section. According to the capital verification report dated 28 March 2022 issued by an independent accountant firm, as of 24 March 2022, the registered capital of Zhongshen Jianye in the amount of RMB156,434,800 (out of which RMB143,920,016 from conversion of other payables due to Zhongshen Jianye (Shenzhen) from Zhongshen Jianye into equity and RMB12,514,784 by cash from Lefu Capital) was paid up and made by Zhongshen Jianye (Shenzhen) and Lefu Capital in proportion to their equity interests in Zhongshen Jianye. According to the capital verification report dated 14 June 2022 issued by an independent accountant firm, as of 9 June 2022, the registered capital of Zhongshen Jianye in the amount of RMB9,920,016 was paid up and made by Lefu Capital by cash. Thereafter, the cumulative paid up registered capital of Zhongshen Jianye was RMB285,920,016, being 71.48% of its registered capital. According to the articles of association of Zhongshen Jianye, the registered capital of Zhonshen Jianye to be paid up is to be determined by its shareholders with reference to the actual business need of Zhongshen Jianye. As at the Latest Practicable Date, Zhongzhen Jianye was directly owned as to 92% by Zhongshen Jianye (Shenzhen) and 8% by Lefu Capital.

As at the Latest Practicable Date, Zhongshen Jianye has seven subsidiaries in the PRC and 15 branches in the PRC. For further details, please refer to the paragraph headed "Subsidiaries of Zhongshen Jianye" in this section.

Subsidiaries of Zhongshen Jianye

The table below sets out the information about the subsidiaries of Zhongshen Jianye as at the Latest Practicable Date. Each of the subsidiaries of Zhongshen Jianye was wholly-owned by Zhongshen Jianye as at the Latest Practicable Date and has not yet commenced business operation since its establishment:

No.	Name of subsidiary	Nature and location	Date of establishment	Intended principal business
1.	Zhongshen Ecological	A subsidiary of Zhongshen Jianye in Shenzhen	9 June 2017	Provision of construction service in the PRC
2.	Zhongye Jiancai	A subsidiary of Zhongshen Jianye in Shenzhen	12 June 2019	Trading of material in the PRC
3.	Zhongshen Technology	A subsidiary of Zhongshen Jianye in Shenzhen	12 June 2019	Provision of internet of things related service in the PRC
4.	Zhongshen Zhuhai	A subsidiary of Zhongshen Jianye in Zhuhai	18 September 2021	Provision of construction service in the PRC
5.	Zhongshen Jianye (Huizhou)	A subsidiary of Zhongshen Jianye in Huizhou	3 August 2022	Provision of construction service in the PRC
6.	Zhongshen Jianye Construction Design (Shenzhen)	A subsidiary of Zhongshen Jianye in Shenzhen	26 September 2022	Provision of project management service in the PRC
7.	Zhongshen Jianye Project Management (Shenzhen)	A subsidiary of Zhongshen Jianye in Shenzhen	26 September 2022	Provision of information technology consulting service in the PRC

CORPORATE REORGANISATION

In preparation for the [REDACTED], the companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. The main steps of the Reorganisation were:

(1) Incorporation of Zhongshen Hengtai and Zhongshen Chitai

On 22 January 2021, Zhongshen Hengtai was incorporated in accordance with the laws of BVI as a BVI business company. It was authorised to issue a maximum of 50,000 shares of a single class of HK$1.00 each, of which 100 shares were allotted and issued as fully paid to Mr. Sang at par.

On 22 January 2021, Zhongshen Chitai was incorporated in accordance with the laws of BVI as a BVI business company. It was authorised to issue a maximum of 50,000 shares of a single class of HK$1.00 each, of which 100 shares were allotted and issued as fully paid to Mr. Xian at par.

(2) Incorporation of our Company, Zhongshen Xihe and Zhongshen Ximing

On 2 February 2021, our Company was incorporated in the Cayman Islands as an exempted company with an initial authorised share capital of HK$100 divided into 100 shares of HK$1.00 each, of which one share was allotted and issued as fully paid to the initial subscriber (being an Independent Third Party) at par, and then transferred to Zhongshen Hengtai at par. On the same date, 79 shares and 20 shares were allotted and issued as fully paid to Zhongshen Hengtai and Zhongshen Chitai, respectively, at par. Set out below is the shareholding structure of our Company as at 2 February 2021:

Name of shareholder	Percentage of shareholding
	(%)
Zhongshen Hengtai	80.00
Zhongshen Chitai	20.00
Total	100.00

On 22 February 2021, Zhongshen Xihe was incorporated in the BVI as a limited liability company which was authorised to issue a maximum of 50,000 shares of a single class of HK$1.00 each, of which 100 shares were allotted and issued as fully paid to our Company at par.

On 2 March 2021, Zhongshen Ximing was incorporated in Hong Kong as a limited liability company, of which 100 shares were allotted and issued to Zhongshen Xihe.

Zhongshen Xihe and Zhongshen Ximing would act as the intermediate holding companies of our Group.

(3) Establishment of Zhongshen Mingye and Zhongshen Jianye (Shenzhen)

On 2 December 2021, Zhongshen Mingye was established in the PRC with limited liability with a registered capital of RMB1,000,000. As at the Latest Practicable Date, the registered capital of Zhongshen Mingye was not paid up and the due date for payment is before 30 November 2041 as stipulated in its articles of association. Upon its establishment and as at the Latest Practicable Date, Zhongshen Mingye was directly wholly-owned by Zhongshen Ximing.

On 3 December 2021, Zhongshen Jianye (Shenzhen), initially named as Shenzhen Zhongshen Zhuohe Enterprise Management Co., Ltd* (深圳市中深卓和企業管理有限公司), was established in the PRC with limited liability with an initial registered capital of RMB1,000,000. As at the Latest Practicable Date, the registered capital of Zhongshen Jianye (Shenzhen) in the amount of RMB1,000,000 was not paid up and the due date for payment is before 31 December 2040. Upon its establishment and as at the Latest Practicable Date, Zhongshen Jianye (Shenzhen) was directly wholly-owned by Zhongshen Mingye.

(4) Subscription of 8% equity interest in Zhongshen Jianye by Lefu Capital

On 19 November 2021, pursuant to a capital increase agreement entered into among Zhongshen Jianye, Lefu Capital, Mr. Sang and Mr. Xian, the parties agreed to increase the registered capital of Zhongshen Jianye from RMB368,000,000 to RMB400,000,000 and Lefu Capital agreed to subscribe for 8% equity interest in Zhongshen Jianye by contributing RMB32 million by cash to Zhongshen Jianye. The consideration to the subscription was determined based on negotiation between the parties after taking into consideration of the appraised value of the total shareholders' equity interest of Zhongshen Jianye based on the asset-based approach at an amount of RMB122,002,300 as at 31 August 2021 as assessed by an independent valuer (the "**Valuation**") as well as the strategic benefits brought to our Group by Xinyao Investment (through Lefu Capital).

Following the completion of the capital increase agreement and the registration of the increase in registered capital on 1 December 2021, Zhongshen Jianye was owned as to 73.6%, 18.4% and 8.0% by Mr. Sang, Mr. Xian and Lefu Capital, respectively.

For further details, please refer to the paragraph headed "[REDACTED] Investment" in this section.

(5) Transfers of 73.6% and 18.4% equity interest in Zhongshen Jianye by Mr. Sang and Mr. Xian, respectively to Zhongshen Jianye (Shenzhen) and subscriptions of 0.8% and 0.2% equity interest in Zhongshen Jianye (Shenzhen) by Mr. Sang and Mr. Xian, respectively

On 15 December 2021, with the approval of the shareholder's resolutions of Zhongshen Jianye (Shenzhen), it was resolved that the registered capital of Zhongshen Jianye (Shenzhen) was increased from RMB1,000,000 to RMB1,010,100. Pursuant to an equity transfer agreement dated 21 December 2021 entered into between Mr. Xian, Mr. Sang and Zhongshen Jianye (Shenzhen), Mr. Sang and Mr. Xian transferred their respective 73.6% and 18.4% equity interest in Zhongshen Jianye to Zhongshen Jianye (Shenzhen) in return for 0.8% and 0.2% equity interest in Zhongshen Jianye (Shenzhen), respectively, thereby Mr. Sang and Mr. Xian subscribed for the increased registered capital of Zhongshen Jianye (Shenzhen) in the aggregate amount of RMB10,100 and 0.8% and 0.2% of the equity interest of Zhongshen Jianye (Shenzhen), respectively.

As advised by our PRC Legal Advisers, the industrial and commercial registration of the said transfer and subscription had been properly and legally completed.

Upon completion of the said transfer on 21 December 2021, Zhongshen Jianye was owned as to 92% and 8% by Zhongshen Jianye (Shenzhen) and Lefu Capital, respectively. Upon completion of the industrial and commercial registration of the said subscription on 24 December 2021, Zhongshen Jianye (Shenzhen) was owned by Zhongshen Mingye as to 99%, Mr. Sang as to 0.8% and Mr. Xian as to 0.2%.

(6) Acquisition of 1% equity interest in Zhongshen Jianye (Shenzhen) by Zhongshen Mingye

On 5 January 2022, Mr. Sang and Zhongshen Mingye entered into an equity transfer agreement whereby Zhongshen Mingye acquired 0.8% equity interest in Zhongshen Jianye (Shenzhen) from Mr. Sang at a cash consideration of RMB976,000, which was determined after arm's length negotiations between the parties with reference to the Valuation. The consideration was fully settled on 30 August 2022.

On 5 January 2022, Mr. Xian and Zhongshen Mingye entered into an equity transfer agreement whereby Zhongshen Mingye acquired 0.2% equity interest in Zhongshen Jianye (Shenzhen) from Mr. Xian at a cash consideration of RMB244,000, which was determined after arm's length negotiations between the parties with reference to the Valuation. The consideration was fully settled on 29 August 2022.

As advised by our PRC Legal Advisers, the industrial and commercial registration of the aforesaid transfers had been properly and legally completed on 11 January 2022.

Upon completion of the above steps on 5 January 2022, Zhongshen Jianye (Shenzhen) was directly wholly-owned by Zhongshen Mingye.

(7) Increase in authorised share capital of our Company, allotment of shares by our Company and acquisition of 100% interest in Lefu Capital by Zhongshen Xihe

On 28 June 2022, the authorised share capital of our Company was increased from HK$100 divided into 100 shares of par value of HK$1.00 each to HK$380,000 divided into 380,000 shares of par value of HK$1.00 each by creation of 379,900 shares of par value of HK$1.00 each, each ranking *pari passu* in all respects with the shares then in issue. On 29 June 2022, our Company allotted and issued 7,280 and 1,820 new shares of HK$1.00 each at par to Zhongshen Hengtai and Zhongshen Chitai, respectively. On 30 June 2022, Zhongshen Xihe acquired the entire issued share capital of Lefu Capital from Xinyao Investment in consideration for the allotment and issue of 800 shares of HK$1.00 each by our Company, credited as fully paid, to Xinyao Investment. The acquisition of the entire issued share capital of Lefu Capital from Xinyao Investment was completed on 30 June 2022.

Set out below is the shareholding structure of our Company as at 30 June 2022:

Name of shareholder	**Percentage of shareholding**
	(%)
Zhongshen Hengtai	73.60
Zhongshen Chitai	18.40
Xinyao Investment	8.00
Total	100.00

Following completion of the Reorganisation:

(i) our Company was owned by Zhongshen Hengtai, Zhongshen Chitai, Xinyao Investment as to 73.60%, 18.40% and 8.00%, respectively;

(ii) Zhongshen Xihe has become a direct wholly-owned subsidiary of our Company;

(iii) each of Zhongshen Ximing, Lefu Capital, Zhongshen Mingye, Zhongshen Jianye (Shenzhen), Zhongshen Jianye, Zhongshen Technology, Zhongye Jiancai, Zhongshen Ecological and Zhongshen Zhuhai has become an indirect wholly-owned subsidiary of our Company;

(iv) on 3 August 2022, Zhongshen Jianye established Zhongshen Jianye (Huizhou) in the PRC and Zhongshen Jianye (Huizhou) has then become an indirect wholly-owned subsidiary of our Company; and

(v) On 26 September 2022, Zhongshen Jianye established Zhongshen Jianye Construction Design (Shenzhen) and Zhongshen Jianye Project Management (Shenzhen) in the PRC, and Zhongshen Jianye Construction Design (Shenzhen) and Zhongshen Jianye Project Management (Shenzhen) have then become the indirect wholly-owned subsidiaries of our Company.

As advised by our PRC Legal Advisers, each step in the Reorganisation insofar as PRC law is concerned was properly and legally completed and settled, and was in compliance with applicable PRC laws and regulations, including any requirement to obtain regulatory approvals and filing.

[REDACTED] INVESTMENT

Investment by Xinyao Investment (through Lefu Capital)

Pursuant to a capital increase agreement dated 19 November 2021 entered into among Zhongshen Jianye, Lefu Capital, Mr. Sang and Mr. Xian, Lefu Capital agreed to contribute to the increased registered capital of Zhongshen Jianye in the amount of RMB32 million by cash. The increase in registered capital was registered with the Shenzhen Administration for Market Regulation (深圳市市場監督管理局) on 1 December 2021 and Lefu Capital became interested in 8% of the equity interest in Zhongshen Jianye on the same day. In accordance with the capital increase agreement, RMB9,565,200 out of the RMB32 million was injected to Zhongshen Jianye on 16 December 2021 in cash by Lefu Capital. The injection of the remaining capital in the aggregate amount of RMB22,434,800 was completed on 9 June 2022 in cash by Lefu Capital. At the time of such capital injection, Lefu Capital, a limited company incorporated in Hong Kong, was wholly-owned by Xinyao Investment, a limited company incorporated in the BVI, which in turn was wholly-owned by Ms. Hou. On 30 June 2022, as part of the Reorganisation, Xinyao Investment transferred the entire issued share capital of Lefu Capital to Zhongshen Xihe in consideration for the issue and allotment of 800 shares of HK$1.00 each by our Company to Xinyao Investment. Details of the above [REDACTED] Investment are set out below:

Name of investor:	Xinyao Investment (through Lefu Capital)
Equity interest in Zhongshen Jianye acquired:	8%
Amount of consideration paid:	RMB32 million
Basis of determination of the consideration:	Based on negotiations between the parties after taking into consideration of the appraised value of the total shareholders' equity interest of Zhongshen Jianye based on the asset-based approach at an amount of RMB122,002,300 as at 31 August 2021 as assessed by an independent valuer as well as the strategic benefits brought to our Group by Xinyao Investment (through Lefu Capital).

Date of the agreement in relation to the [REDACTED] Investment:	19 November 2021
Date of full settlement of consideration:	9 June 2022
Total number of Shares held by Xinyao Investment	Before completion of the Capitalisation Issue and the [REDACTED]: [REDACTED] Shares After completion of the Capitalisation Issue and the [REDACTED]: [REDACTED] Shares
Cost per Share paid:	Before completion of the Capitalisation Issue and the [REDACTED]: approximately RMB400 (equivalent to approximately HK$460.51) per Share After completion of the Capitalisation Issue and the [REDACTED]: approximately RMB[REDACTED] (equivalent to approximately HK$[REDACTED]) per Share
Premium over [REDACTED]:	A premium of approximately [REDACTED]% over [REDACTED] of HK$[REDACTED]
Approximate effective shareholding in our Company upon [REDACTED]:	[REDACTED]%
Special rights:	No special rights were granted
[REDACTED]:	As at the Latest Practicable Date, all of the [REDACTED] from the [REDACTED] Investment had been utilised towards our general working capital.
Lock-up period:	Subject to a lock-up period commencing on the date by reference to which disclosure of the shareholding of Xinyao Investment is made in this document and ending on the date which is six months from the [REDACTED].

Strategic benefits brought to our Group by the investor:	Our Directors are of the view that the [REDACTED] Investment is beneficial to our Group as it can assist us in broadening our shareholder base. In addition, Ms. Hou's positioning as a strategic investor of our Company, coupled with her research experience in communication engineering and electronic engineering will add value to the profile of our Company. With her experience, our Directors believe that Ms. Hou could provide specific insights and advice on our business development and expansion in the PRC.

Background of Xinyao Investment and Ms. Hou

Xinyao Investment is an investment holding company incorporated in the BVI and is solely owned by Ms. Hou. Ms. Hou is a [REDACTED] investor and a private investor who has an extensive experience in communication engineering and electronic engineering research projects. She was also a director of an offshore asset management company principally engaged in offshore fund management and projects investment from November 2017 to August 2020. In 2016, Ms. Hou became acquainted with Mr. Xian through business contact in relation to the technical aspects of communication engineering and electronic engineering where Ms. Hou learnt about the business of our Group.

To the best of the knowledge, information and belief of our Directors, Ms. Hou decided to invest in our Group as she is optimistic about the prospect of the municipal and public construction industry in the PRC, especially in the Greater Bay Area in the PRC, and our Company after she had met our management team and understood the vision and operation of our business. On the other hand, we believe that the expertise of Ms. Hou on communication engineering and electronic engineering could provide technical support on our training to our staff and enhance innovation of our staff and our projects. After arm's length negotiation, Ms. Hou invested in our Group via the abovementioned [REDACTED] Investment arrangement.

Ms. Hou is the director of Lefu Capital, which is a subsidiary of our Company. Therefore, she is a core connected person of our Company.

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, save as disclosed above, Xinyao Investment and its ultimate beneficial owner, Ms. Hou, are Independent Third Parties. Ms. Hou confirmed that she subscribed for the registered capital in Zhongshen Jianye through her own sources of fund and not directly or indirectly funded by any connected person of our Company.

Lock-up and [REDACTED]

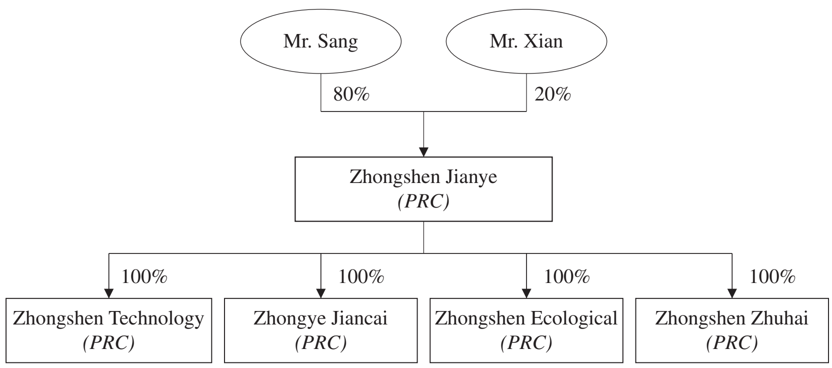
The Shares held by Xinyao Investment will be subject to a lock-up period commencing on the date by reference to which disclosure of the shareholding of Xinyao Investment is made in this document and ending on the date which is six months from the [REDACTED]. As Ms. Hou, the sole shareholder of Xinyao Investment, is a director of a subsidiary of our Company, Xinyao Investment is an associate of a core connected person of our Company. Shares held by Xinyao Investment will not be counted towards the [REDACTED] upon the [REDACTED].

Compliance with interim guidance

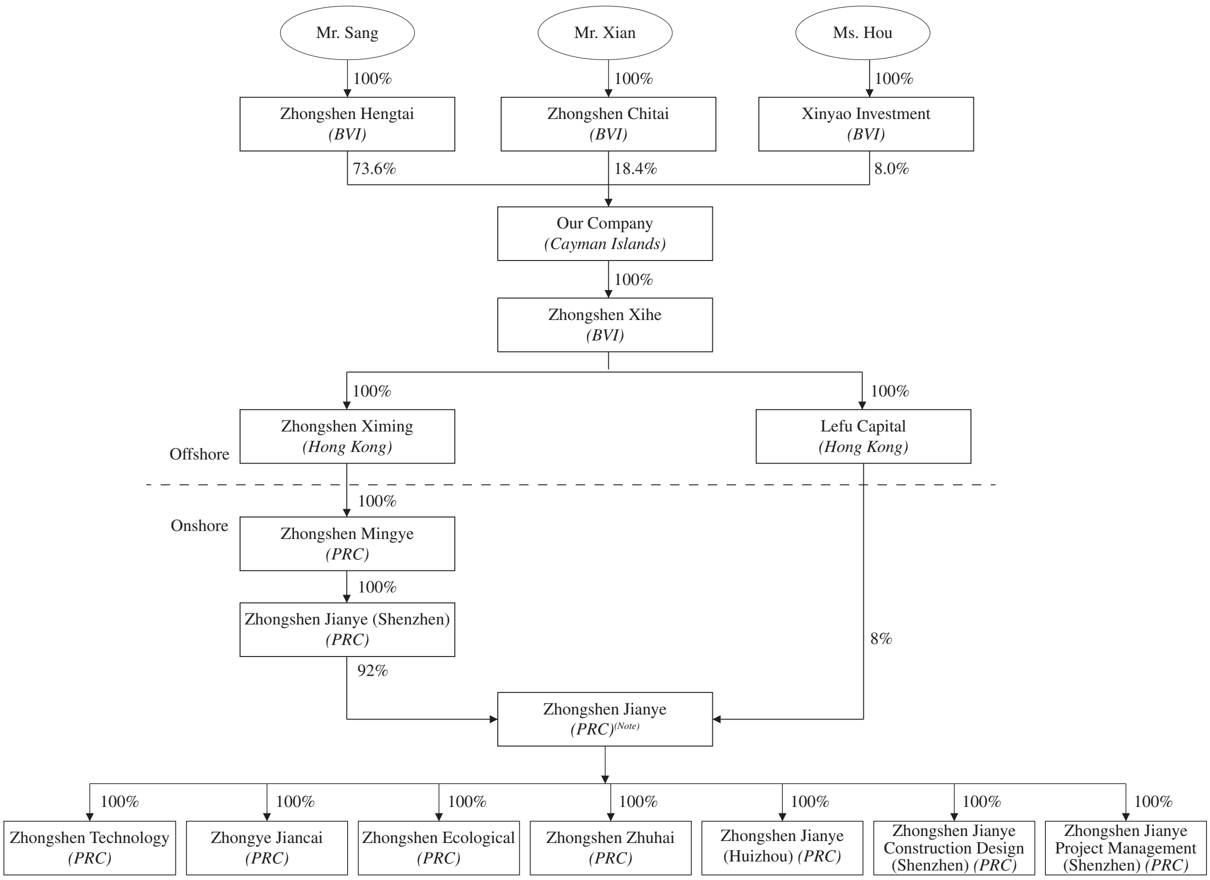
The Sole Sponsor is of the view that the [REDACTED] Investment is in compliance with the Interim Guidance on [REDACTED] Investments (HKEx-GL29-12) and the Guidance Letter on [REDACTED] Investments (HKEx-GL43-12) since the consideration under the [REDACTED] Investment was fully settled by 9 June 2022, which was 28 clear days before the date of the first submission of the first [REDACTED] [REDACTED] of our Company, and that the [REDACTED] Investment was not subject to the Guidance on [REDACTED] Investments in Convertible Instruments (HKEX-GL44-12) since it did not involve convertible instruments.

GROUP STRUCTURE

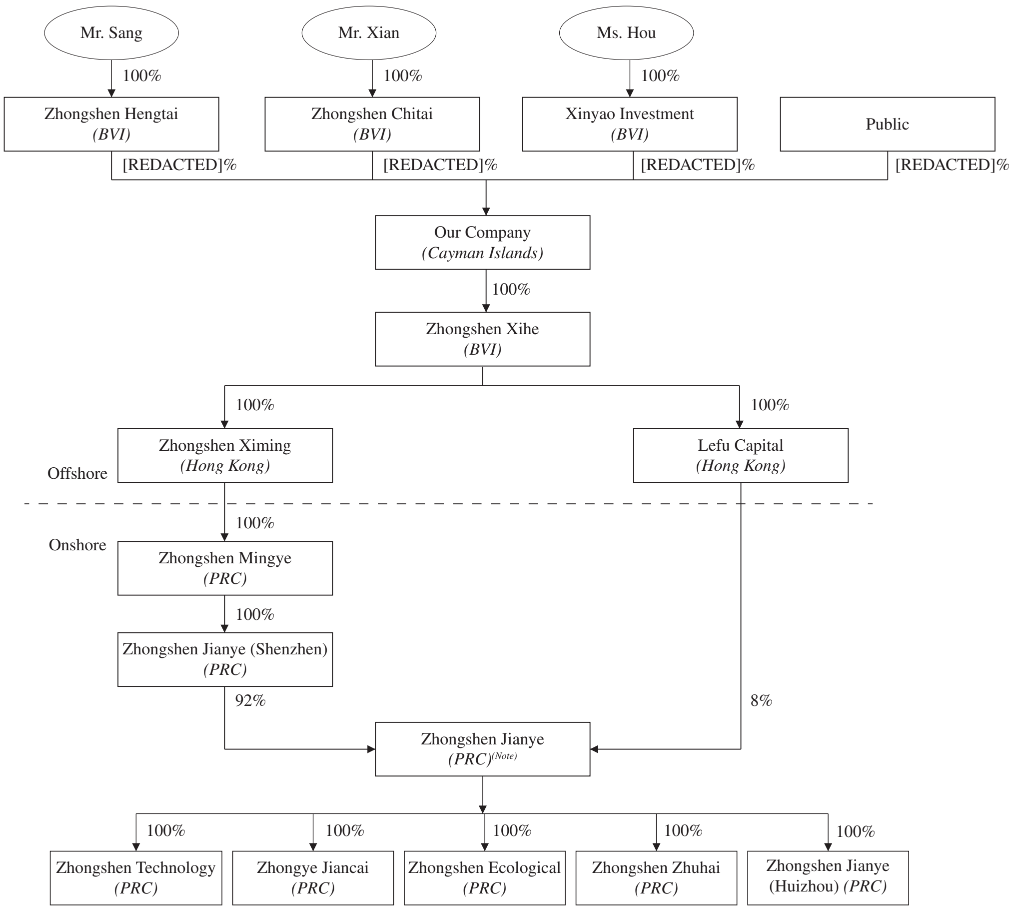
Set forth below was the corporate structure of our Group immediately prior to the Reorganisation:



Set forth below is the corporate structure of our Group after the Reorganisation but immediately prior to the Capitalisation Issue and the [REDACTED]:



Set forth below is the corporate structure of our Group following completion of the Capitalisation Issue and the [REDACTED]:



Note: As at the Latest Practicable Date, Zhongshen Jianye had 15 branch offices across different regions in the PRC, including Zhuhai, Shenzhen, Shanwei, Yangjiang, Quanzhou, Longyan, Wuhan, Hangzhou, Tongling and Huizhou.

GENERAL

As at the Latest Practicable Date, all of our onshore subsidiaries had not paid up their registered capital fully or partially, which amounted to approximately RMB215 million in aggregate. Pursuant to the articles of association of the respective subsidiaries, (i) approximately RMB99 million, in aggregate, of the registered capital of the relevant subsidiaries are required to be paid up by the years of 2033, 2040, 2041, 2050 and 2060 respectively (as the case may be); and (ii) the remainder of approximately RMB116 million is to be paid up as determined by their respective shareholder(s) with reference to the actual business need of the relevant subsidiaries. Our PRC Legal Advisers advised that where the registered capital for a subsidiary has not been paid up, it does not violate the provisions of PRC laws and regulations, and its articles of association.

M&A Rules

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity via an increase in registered capital of the domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic non-foreign invested enterprise by agreement, or (iii) a foreign investor purchases the assets of a domestic non-foreign invested enterprise by agreement and injects those assets to establish a foreign-invested enterprise and operates those assets. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from the MOFCOM is required.

Our PRC Legal Advisers advised that Article 11 of the M&A Rules does not apply to (i) the subscription of 8% equity interest in Zhongshen Jianye by Lefu Capital since Ms. Hou, the ultimate shareholder of Lefu Capital, is a Hong Kong permanent resident and was not related to or connected with Zhongshen Jianye before such subscription, and hence such subscription of 8% equity interest is not an associated transaction; and (ii) the acquisition of 92% equity interest in Zhongshen Jianye by Zhongshen Jianye (Shenzhen) because Zhongshen Jianye is no longer a domestic company but a foreign-invested enterprise at the time of acquisition. Our PRC Legal Advisers is of the view that the Reorganisation and the [REDACTED] do not require the approval of the CSRC and/or any other governmental authorities under the M&A Rules.

Compliance with the Circulars 37 and 13

Pursuant to Circular 37, special purpose vehicles (the "**SPV**") refers to overseas companies directly incorporated or indirectly controlled by domestic residents (including domestic institutions and individual domestic residents) using the assets or rights and interests of domestic companies that they legally possess or the overseas assets or rights and interests they legally possess for the purpose of investments and financing. According to the Circular 37, (i) before a domestic resident contributes his or her legally owned assets or equity of domestic enterprises, or legally owned offshore assets or equity into SPVs for the purpose of offshore investment and financing, the domestic resident shall register with the local branch of the SAFE; and (ii) following the initial registration, any major changes shall be reported to the SAFE for registration in time, and failing to comply with the registration procedures as set out in the Circular 37 may result in penalties.

Pursuant to the Circular 13, the SAFE has authorised the qualified local banks to review and process, among others, the foreign exchange registration directly for overseas investment under the Circular 37, and the SAFE and its local branches conduct indirect supervision and administration through the banks over such registrations.

As advised by our PRC Legal Advisers, Mr. Sang and Mr. Xian fall within the meaning of a domestic resident in the Circular 37 and have completed the foreign exchange registration of domestic residents for their individual offshore investment with Shenzhen Branch, Pingan Bank in November 2021. Since Ms. Hou is a Hong Kong permanent resident and not fall within the meaning of a domestic resident in the Circular 37, she is not subject to the foreign exchange registration under the Circular 37.

OVERVIEW

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.

Since our inception in 2017, we have strategically focused and placed efforts on municipal and public construction works in Guangdong Province to build up our reputation and market share and we have benefited from the rapid development in the construction industry in the PRC, especially in Guangdong Province. General contractors dominated in the construction market in Guangdong Province and the total revenue of construction market in Guangdong Province grew at a CAGR of approximately 13.4% from 2018 to 2022 according to the Frost & Sullivan Report. During the Track Record Period, we completed 39, 35, 21 and 7 municipal and public construction projects, respectively. We continuously leveraged our qualifications and proven track record in municipal and public construction projects to negotiate with new customers and submit a high volume of tenders in order to grasp business opportunities. Leveraging on our persistent determination for success, our Group has 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 provided construction services to both the public sector (such as government departments, SOEs, public transport operators and/or statutory bodies) and the private sector (such as private or listed property developers, construction contractors and/or landowners) during the Track Record Period.

During the Track Record Period, over 75% of our recognised revenue were generated from construction engineering projects and municipal and public construction projects. We believe that our active participation in construction engineering projects and municipal and public construction projects enables us to develop an in-depth understanding of the project requirements imposed by public sector entities and reinforce their confidence in our services. During the Track Record Period, we recognised a total revenue of approximately RMB4,080.0 million from over 190 construction engineering projects and municipal and public construction projects, of which 22 projects had contract value of more than RMB50 million and 79 projects had contract value of more than RMB10 million.

We may act as a general contractor or subcontractor for our projects depending on the availability of opportunities in the market. During the Track Record Period, we had completed 164 projects with an aggregate total contract value amounting to approximately RMB2,584.1 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 total contract value of approximately RMB4,481.2 million. Among these projects on hand, 18 projects had contract value of RMB50 million or above. The aggregate total contract value of these 18 projects amounted to approximately RMB3,485.2 million.

OUR STRENGTHS

Our Directors believe that there are several competitive strengths which differentiate us from our competitors and enable us to continue our growth. Such competitive strengths include:

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

We attain a range of first-grade qualifications and licenses in the construction contracting industry 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. For details, please refer to the paragraph headed "Licences, qualifications and permits" in this section. According to the Frost & Sullivan Report, in 2022, there were 10,960 construction companies in Guangdong Province, of which 10,148 were private construction companies and 812 were state-owned construction companies, less than 9% of the private construction companies headquartered in Guangdong Province in 2022 attained the first-grade qualification in building construction general contracting (建築工程施工總承包一級), less than 4% of them attained the first-grade qualification in municipal and public construction general construction (市政公用工程施工總承包一級), less than 6% of them attained the first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包一級), less than 5% of them attained 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 less than 15% of them attained 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).

With our broad coverage of qualifications, we are able to bid for and undertake an extensive portfolio of projects and to focus on emerging market opportunities created by the continuous development of the construction industries. Leveraging our comprehensive portfolio of construction services, our construction contracting business covers residential, public, industrial and commercial buildings, municipal and transportation infrastructure, as well as specialised construction areas such as electrical and mechanical installation and steel structure construction.

These qualifications allow us to undertake various construction engineering projects, municipal and public construction projects as well as specialised construction projects and provide us with competitive edge over our competitors. These qualifications also allow us to diversify our operations, provide integrated solution to our customers and ensure our sustainable development.

We have developed in-depth understanding of needs and demands of government departments through interaction in municipal and public construction projects

While we attribute the strength of our operations in part to our wide range of service portfolio and in part to our service quality, we have developed in-depth understanding of needs and demands of government departments through interaction in municipal and public construction projects. During the Track Record Period, our Group completed 39, 35, 21 and 7 municipal and public construction projects, respectively, and we derived approximately 48.5%, 36.3%, 29.3% and 18.7% of our total revenue from municipal and public construction projects, respectively. The development of our business relationship with them enables us to better understand (i) the criteria, requirements and quality standard expected of us by government departments and (ii) the key elements and strategies for effective customer management and provision of services.

In general, public tenders in the construction industry in the PRC have stringent selection requirements, including requisite professional qualification and proven track record. Our Group leveraged our proven track record in municipal and public construction projects to submit a high volume of tenders in order to capture business opportunities. According to the Frost & Sullivan Report, developers and governments tend to cooperate with construction companies that have a proven track record and sound reputation based on years of experience in the construction industry.

We believe that our track record, financial condition and qualifications have assisted our Group in bidding for significant new projects, and our successful collaboration with various departments of the PRC government has enhanced our reputation in the public sector and the industry as a whole and has given us a competitive edge in new projects and business opportunities.

Our Group is led by a vibrant, dedicated and professional management team and a team of experienced project managers

We are led by a vibrant, dedicated and professional management team, which is energetic, ambitious and motivated in leading our Group to a next stage of growth while creating a dynamic and adhocracy organisational culture in the workplace. Our management team is led by Mr. Xian, an executive Director and the chief executive officer of our Company, who has over 14 years of experience in the construction industry. His experience and extensive knowledge of the construction industry in the PRC enable our Group to understand market dynamism and industry practice and his close business relationships established with our customers and suppliers enhances our market profile and enables us to attract more potential business opportunities. He was the vice president of the Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會) from July 2020 to July 2021, was awarded "The Fourth Top 100 New Generation Entrepreneurs in Shenzhen"* (第四屆百名深圳新生代創業風雲人物) by Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會), Shenzhen Press Group* (深圳報業集團) and Shenzhen Radio and Television Group Times Business Magazine* (深圳廣電集團《時代商家》雜誌社) in December 2021 and was granted the Honest Entrepreneur Certificate by Yixu Credit Rating Limited* (宜旭信用評級有限公司) in May 2022. Mr. Sang, an executive Director and Chairman of our Board, who has over 7 years of experience in the real estate development and construction industry, is mainly responsible for our Group's strategic planning and supervision of implementation of our Group's policies. With an average age of about 38, our executive Directors and senior management team are energetic and adaptable to challenges and changing economic environment, which have played a crucial role in shaping our industry recognition, market reputation and business success. Our senior management also possess extensive technical know-how and knowledge to respond to changing trends in the construction industry. Please refer to the section headed "Directors and senior management" in this document for further details of their biographies.

In addition, our projects are generally managed by our experienced project managers. As at 30 June 2023, we had 89 employees with the qualification of constructor (一級建造師) and/or associate constructor (二級建造師) in the PRC that is essential for acting as project manager to supervise and oversee our projects, 41 of them have five or more years of relevant industry experience, and most of them possess tertiary level qualifications.

We believe that our management team's experience and knowledge will enable us to formulate competitive tenders, and manage and implement our projects effectively. In addition, the industry insight and strategic vision of our management team will allow us to develop robust and sustainable business strategies and seize market opportunities, thereby strengthening our presence in the industry.

We have adopted comprehensive and stringent occupational safety and quality control systems

We endeavour to deliver consistently high-quality services and a safe working environment for our staff and subcontractors. We have established stringent safety management and quality management systems. Through systematic and effective control on our staff together with supervision procedures for our subcontractors, we uphold our standard of quality to reduce issues related to quality or non-conformity with specifications and standards. Our management systems were certified in accordance with the standards required under ISO9001:2015 (quality management), ISO45001:2018 (occupational health and safety management) and ISO14001:2015 (environmental management). Please refer to the paragraph headed "Quality control and management" in this section for further details of our Group's quality control measures. Our reportable accident rate and related lost time injury frequency rate for the Track Record Period were nil and nil, respectively. For further details about reportable accident rate and related lost time injury frequency rate, please refer to paragraph headed "Social matters — Occupational health and safety" in this section.

Our stringent quality control measures, backed by our standardised operational procedures have enabled us to reduce the operational risks inherent in our operation. Our Group received numerous awards from government departments, industry organisations and property developers on recognising our Group's work quality. Please refer to the paragraph headed "Awards and accreditations" in this section for further information. Moreover, our Directors believe that our customers, whether they are the ultimate owner or the general contractor of a project, would place strong emphasis on quality, including workmanship and material quality. Therefore, the quality of our services is essential to maintaining the reputation of our Group and is the key factor for us to remain competitive and to differentiate ourselves from our competitors. Hence, our Group is devoted and committed to maintaining and improving our quality management system, which will enhance our Group's credibility and customers' confidence.

BUSINESS STRATEGIES

We strive to achieve sustainable growth in our current business and to further strengthen our overall competitiveness in providing construction services in the PRC. Hence, we plan to continue to capitalise on opportunities with competitive strengths of the Group and implement the following strategies:

1. Continue to expand our construction business

We plan to further expand our construction business by continuously seeking opportunities in the PRC, especially in Guangdong Province and adjacent provinces. As disclosed in the section headed "Industry overview" in this document, it is anticipated that the demand for construction services will continue to grow with favourable policies announcement by the PRC Government. The total output value of construction market in Guangdong Province has experienced solid growth in the past years and the total revenue of Guangdong Province has even achieved double-digit growth at a CAGR of approximately 13.4% from 2018 to 2022, reaching approximately RMB2,295.7 billion in 2022 and is expected to further increase to approximately RMB3,426.9 billion by 2027. In view of the above, we should bestow our extensive experience and knowledge in construction services to solidify and broaden our construction service offerings and enhance our market presence to capture more opportunities in the PRC by the following means:

Enhance our financing capabilities to undertake more projects

As disclosed in this section, the business operations of our Group are capital intensive in nature. Construction projects often require us to have substantial cash outflows at the early stage, but most of the cash inflows are only collected at the later stage, and we are required to maintain significant amount of working capital to settle the cash outflows in projects, especially at the early stage. We usually have net cash outflows at the early stage of projects being required to pay for the cost of materials as well as the cost of the subcontractors and the progress payments from our customers would not cover these costs sufficiently until reaching the later stage. During the Track Record Period, our Group generally utilised internal resources as well as advances from our Controlling Shareholders to finance such upfront costs. We manage and monitor our working capital closely to ensure that we have sufficient financial resources to implement our projects observing mismatch in timing of cash inflows and outflows. In order to capture more business opportunities, we plan to improve our cashflow position and strengthen our capability in undertaking more projects, which largely depends on our available working capital. Our Group intend to undertake more projects of larger scale and higher contract value in the future. Our Directors believe that, coupled with the [REDACTED], the market presence of our Group will be significantly enhanced, allowing us to capture future business opportunities in the growing construction market in the PRC, consolidate our market position in the industry, thus reach out to more customers and a variety of projects, and acquire additional financial resources as the initial working capital to invest in our future projects.

Diversify and expand our client base

On top of amplifying business relationship with existing customers, our Group also intend to deploy resources on diversifying and expanding our client base, and to compete for additional construction projects. Other than diversification of customer base through procuring new clients including landowners, property developers and general contractors, our Group also intends to participate in tenders more actively. As our Group continues to explore new business opportunities and enlarge our customer base, our Directors believe that the aforementioned anticipated improvement in cashflow position with the [REDACTED] will put us in a better position to fulfil the cash-related requirements imposed by our potential and/or existing customers and settle tender deposits and upfront costs, thereby enhancing our prospects in widening our market coverage. For further details, please refer to the section headed "Future plans and [REDACTED]" in this document.

2. Strengthen budget management and cost control to improve our rate of return

We believe that effective cost control measures are crucial to maximising profitability and maintaining competitiveness. We will continue to strengthen our internal controls and further integrate the internal resource allocation system to improve efficiency and resource utilisation.

Leveraging our construction experience and accumulated data of project costs and expenditures, we aim to better tailor our preliminary project planning in the early stage of project management to estimate return with a more accurate mechanism.

We have efficient and market-oriented decision-making process. We have access to a broad range of suppliers and detailed information on their capabilities and creditability. As at the Latest Practicable Date, we had access to over 2,000 suppliers and the broad range of suppliers enables us to engage the most qualified and suitable suppliers and subcontractors at ease, and streamlines the execution process, thereby enhancing our procurement efficiency and reducing our procurement costs.

3. Maintain conservative financial management

Our Group has maintained the financial position in terms of a conservative gearing ratio. We intend to maintain such financial position without exposing to aggressive gearing in order to achieve sustainable growth in the long term and be less susceptible to any change in economy. We also intend to continue to manage our project process actively to ensure sufficient cash generated internally for our ongoing capital needs. Our Directors believe that a conservative financial management in capital commitment could provide a steady and reasonable return for shareholders while ensuring our continued growth in the long term.

4. Further strengthen our manpower

We believe that our success in the construction industry is largely attributable to our experienced management and skilled staff members. In order to secure the emerging business opportunities in the construction industry and drive our business expansion, we intend to recruit more experienced staff for our engineering department and technical department with [REDACTED] from the [REDACTED]. For further details, please refer to the section headed "Future plans and [REDACTED]" in this document.

5. Purchase of construction equipment and machinery

Our Group rented equipment and machinery used in our construction projects from equipment and machinery leasing suppliers at the aggregate cost of approximately RMB60.8 million, RMB99.2 million, RMB91.5 million and RMB43.9 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. For details, please refer to the paragraph headed "Raw materials, machinery and equipment, and subcontracting suppliers — Equipment and machinery" in this section. The increasing leasing cost of equipment and machinery, which will likely increase as we secure additional projects, aside, projects scheduling can be subject to availability of the machinery and equipment concerned. In view of the above, our Directors believe that purchasing our own machinery and equipment will help reduce our long-term expense on machinery and equipment, reduce our reliance on suppliers for leasing of equipment and machinery for our building construction projects, increase our scheduling flexibility and better maintain our work quality and safety. For further details, please refer to the section headed "Future plans and [REDACTED]" in this document.

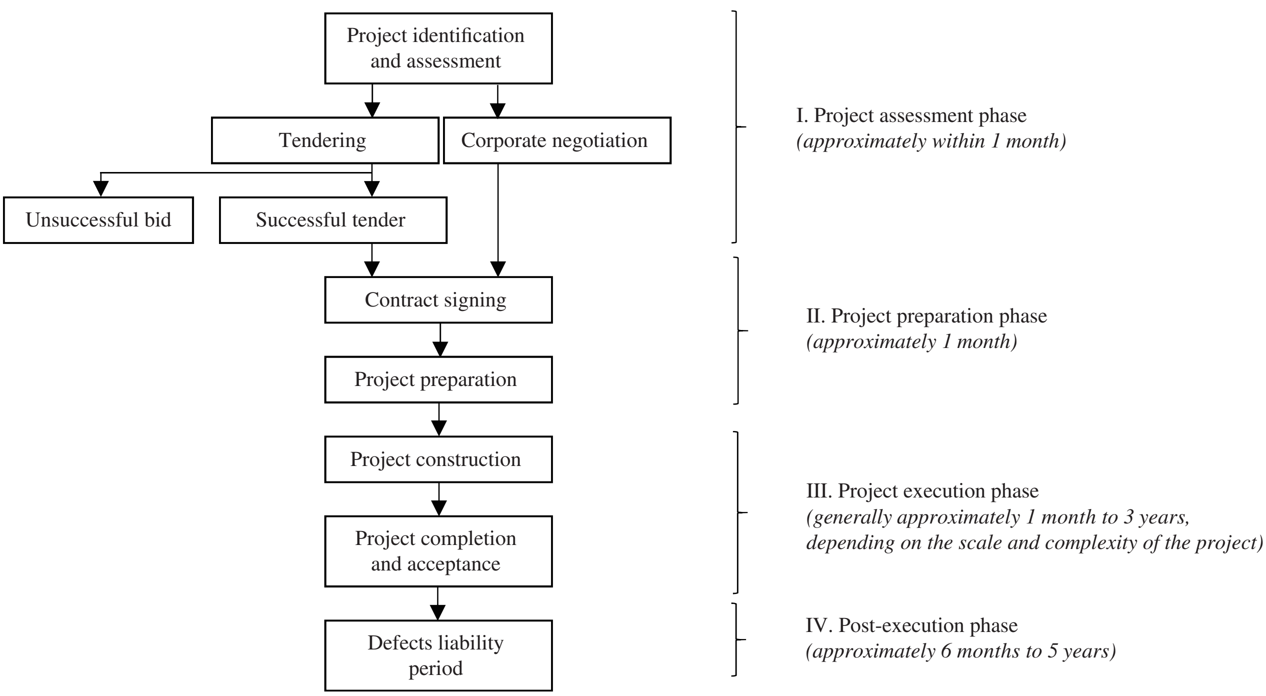
OUR BUSINESS OPERATIONS AND SERVICES

Scope of services

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 serve customers from both the public and private sectors, mainly government departments, property developers and commercial corporations. Our services span across different aspects of construction, which encompass (i) construction engineering works; (ii) municipal and public construction works; (iii) foundation engineering works; and (iv) specialised contracting works.

Operating workflow

For illustration purposes, a simplified flow diagram of our key operating workflow for our projects is set out below:



I. *Project assessment phase*

Our commerce department is responsible for identifying potential projects from a variety of sources, including (i) open tenders; (ii) invitation by existing customers or industry participants; and (iii) corporate negotiation.

For public sector projects, they are usually contracted by way of open tender. In accordance with the Bid Invitation and Bidding Law of the PRC (中華人民共和國招標投標法), a tender is required for construction projects in the PRC, including projects involving large-scale infrastructure and public utility relating to public interest and safety, project entirely or partially financed by state-owned funds or loans by the State and projects financed by loans and financial aid from international organisations or foreign governments. For details, please refer to the section headed "Regulatory overview — Administration of tender and bid" in this document. Our commerce department is responsible for keeping track of government websites to identify projects suitable for bidding. We may also receive invitations to tender.

In determining whether to submit a bid, we will conduct an assessment taking into account of various factors, including but not limited to, scope of work involved, expertise and qualification required and prior experience.

For private sector projects, we are conventionally contracted through invitation to tender from or corporate negotiation with existing customers or property developers and commercial corporations. Most of our private sector projects have secured through pro-active liaison and commercial negotiation with potential customers. We will conduct further due diligence on the project owner, detailed analysis of the proposed construction project and determine the contract terms accordingly. Upon internal approval of such contract terms, we will engage in contract negotiations with customers and prepare a contract following the same review and approval process as discussed below for tender documents.

If we decide to participate in a bid or negotiation of a project, we will conduct an assessment to decide an acceptable price. For details, please refer to the paragraph headed "Customers, sales and marketing — Pricing policy" in this section below.

Our commerce department is responsible for preparing and reviewing tender documents.

We have designated a team within the commerce department, whose members possess the relevant experience or qualifications, to (i) review the achievability, technical requirements, risk and rewards of the potential projects; (ii) key financial and legal terms set out in the tender documents; and (iii) the background of customers, particularly for privately owned companies, mainly through the use of credit reports or similar credit search results.

In addition, our Group has also established another tier of risk management measure requiring the risk control team, comprising of the chief executive officer, financial manager, operations manager, engineering manager and legal manager, to further review more strategic and significant tenders, particularly those relating to privately owned companies and large in monetary amount before submission of the tender to the customers.

The following breakdown sets out our revenue of projects secured through tendering and corporate negotiations with customers for the years/periods indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2020		2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Tendering	682,121	51.2	678,121	50.3	800,683	58.1%	293,566	59.2%
Corporate negotiations	649,083	48.8	668,098	49.7	577,372	41.9%	202,214	40.8%
	1,331,204	100.0	1,346,219	100.0	1,378,055	100.0	495,780	100.0

The following table sets forth the tendering results of our Group during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2020	2021	2022	2023
Number of tenders submitted	2,918	4,318	3,293	1,642
Number of projects awarded	45	42	29	18
Success rate (Note)	1.5%	1.0%	0.9%	1.1%

Note: Success rate is calculated based on the number of projects awarded during the relevant year/period, divided by the number of tenders submitted during the same year/period.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the number of tenders submitted by us was 2,918, 4,318, 3,293 and 1,642, respectively, and during the same period, we recorded a tender success rate of approximately 1.5%, 1.0%, 0.9% and 1.1%, respectively. In general, given the requisite professional qualification we attain, we adopted a pro-active approach and submitted a high volume of tenders (i.e. 2,918 for the year ended 31 December 2020, and 4,318 for the year ended 31 December 2021, 3,293 for the year ended 31 December 2022) when comparing with the number of projects awarded during the Track Record Period in order to maintain our presence in the market. This would allow us to keep abreast of the latest market requirements and conditions, and pricing levels of our competitors which is crucial in tendering for similar projects in the future and attracting new potential customers. Given our background and experience and our continuous efforts to seek new tenders as part of our normal operations, our Directors believe that we will continue to grasp new opportunities for works in the industry.

II. ***Project preparation phase***

Contract signing

We generally enter into construction contracts with customers on a project-by-project basis. If we successfully bid on a construction project, upon the receipt of a letter of award, we will enter into a construction contract with the tenderee. For corporate negotiation projects, our commerce department is responsible for conducting negotiation on detailed terms with our customers. Construction contracts will be passed through our internal approval process prior to execution.

Project preparation

Upon the execution of a construction contract, we will commence to prepare the necessary resources and manpower required for the construction project, which includes (i) formation of a project management team; and (ii) selection and engagement of raw materials and equipment and machinery leasing services suppliers.

Our project management team is responsible for overseeing the project execution in accordance with our workplan, identifying on-site issues, seeking possible remedial actions and reporting work progress on a regular basis. The workplan would include setting management milestones, thereby dividing the project into various stages, which we would estimate the time required for the project and arrange to make plan for procurement of raw materials and equipment and manpower accordingly. Depending on the scale and complexity of works undertaken, our project management team generally includes the following core members, namely project manager, technical supervisor, construction officer, materials officer, mechanical officer, labour officer, quality officer, standardisation officer and safety officer.

The table below sets out the major responsibilities of key members of our project management team:

Position	Major responsibilities
Project manager	— Overall management of the construction project. — To conduct overall planning and control project budget, liaise with customers and other external parties, and coordinate throughout the construction project. — To ensure the work efficiency and compliance with contractual and statutory requirements.
Technical supervisor	— Oversee the technical works of the construction project. — Formulate construction plans, advise on construction sequences and methodologies, compiling construction process organisational design and specialised construction plans and liaise with relevant technical personnel of other parties.

Position	Major responsibilities
Construction officer	— Oversee the site work of the construction project. — Organise and coordinate on-site construction works, allocate the production resources, and ensure the construction work plan is implemented according to the schedule as well as meeting the specified technical standards.
Materials officer	— Oversee construction materials related matters. — Conduct planning, procurement and inspection of construction materials. — Identify and engage suitable suppliers. — Ensure the use of construction materials conforms to the specified technical standards and meets the demand according to the construction schedule.
Mechanical officer	— Oversee equipment and machinery related matters. — Conduct planning and determining the number and types of equipment and machinery required for the construction project — Identify and engage equipment and machinery leasing services suppliers. — Ensure the use of equipment and machinery conforms to the specified technical standards and meets the demand according to the construction schedule.
Labour officer	— Oversee labour force related matters. — Conduct planning and determining of labour force required at different stages of the construction project according to the workplan. — Identify and engage competent subcontractors. — Ensure the labour force meets the demand according to the construction schedule.

Position	Major responsibilities
Quality officer	— Oversee the quality matters of the construction project. — Formulate quality management plans and participate in the quality review works throughout the construction project. — Ensure the quality of construction works conforms to the specified technical standards.
Standardisation officer	— Oversee the implementation of engineering construction standards. — Participate in the review of construction drawings, compile construction plans and quality plans and organise trainings on engineering construction standards. — Ensure the effectiveness of the implementation of engineering construction standards.
Safety officer	— Oversee safety related matters. — Establish and implement safety production system and emergency rescue plans for construction site safety accidents. — Participate in the safety inspections in construction machinery, temporary electricity, and firefighting facilities, etc. — Conduct safety education and ensure the safety awareness of construction workers.

The raw materials used in our construction projects include concrete, steel, cement and other construction materials, all of which are sourced locally. We require the use of a range of equipment and machinery such as construction cranes, excavators, scaffolding and dump trucks to perform our construction works. Save for the personnel from our project management team, all of the construction workers we deploy on our projects are engaged by independent third party labour subcontractors. Depending on our capability, resources level, cost effectiveness and the complexity of the project, we may subcontract specific parts, which is permitted under the Construction Law, of the project to third party specialised construction subcontractors. For further details regarding our suppliers and selection criteria, please refer to the paragraph headed "Raw materials, equipment and machinery, and subcontracting suppliers" in this section below.

III. ***Project execution phase***

Project construction

Our Group commences construction works in accordance with the schedule and timeline as stipulated in the construction contract. We generally assume the role of general contractor or subcontractor in our construction projects, which involves taking charge of the overall management within the scope of the contract to ensure the quality of works and progress milestones are met.

Throughout the construction process, our project management team will (i) hold regular on-site meetings with our customer and the independent project supervision entity to review and clarify specific project requirements, ensure statutory requirement compliance, give technical feedbacks and tackle any potential problems in the construction project; (ii) conduct interim inspections to assess the status of the construction project to ensure that our Group strictly adheres to the construction schedule as stipulated in the construction contract; and (iii) follow up with our customer with regards to any variation orders made.

Given the limited storage space at the construction sites, we will normally try to keep our construction material inventory at a minimal, and determine the quantity of materials to be stored in accordance with progress schedule, and place purchase orders based on the specific needs of each construction project. Our suppliers would deliver the construction materials to the corresponding construction sites for direct utilisation. Upon arrival of the construction materials, we may conduct quantity check and deliver sample of materials to relevant or designated independent qualified laboratories or institutions for quality check, depending on the requirements by our customers and the relevant industry standards. For details regarding our Group's inventory management and quality assurance on raw materials, please refer to the paragraphs headed "Raw materials, equipment and machinery, and subcontracting suppliers — Inventory management" and "Quality control and management — Inspection of raw materials" of this section, respectively.

Project cost management is an ongoing process throughout the project, in particular, at the project execution phase. Our Group estimates the total project cost by considering, amongst others, the subcontracting costs, raw material costs, cost of equipment and machinery and other miscellaneous costs at project assessment and preparation phase. We keep track on the market price of raw materials and may obtain preliminary quotations from our suppliers in order to have a more accurate estimation of the project costs. The budgeted project cost will regularly be reviewed and typically be updated to reflect the volume of work or additional work, as agreed by us and our customers or, when necessary, to reflect material change of key cost components and related unit prices (the "**Rolling Budget**"). The rolling budget would be used as an indicator, together with other key indicators, by the management to assess whether the actual cost of related project at a particular time has a tendency of overbudget or whether the devotion of resources are falling behind the original plan. For material variance between budgeted and actual costs, the risk control team would either attempt to implement corresponding cost control or monitoring measures at its best effort or consider performing thematic review over the overall progress and quality management of the project.

Project completion and acceptance

Upon completion of our construction projects and satisfaction of internal inspection by our project management team, the customer along with its independent supervision entity, construction design professionals and the relevant government authorities would then conduct a completion inspection with us. Further modifications or reworks may be required from us from time-to-time subsequent to the completion inspection. Upon satisfaction of the final completion inspection and if we are the general contractor of the project, our project management team will prepare a practical completion report which will be jointly approved by us, our customer, its independent supervision entity and other parties involved in the inspection process, representing the practical completion of the project. If we are the subcontract of the project, we may assist the general contractor in the final completion inspection process. Thereafter, save for the final portion of the retention money (generally no more than 3% of the contract value), we will confirm the final settlement amount with the independent supervision entity appointed by our customer by conducting an internal review of the account and according to the construction audit report agreed between us and the independent supervision entity appointed by our customer.

IV. ***Post-execution phase***

The issuance of the practical completion report marks the commencement of the project's defects liability period under the construction contract, which generally ranges from six months to five years, depending on the type of construction works, during such period we are liable to the rectification work on construction defects. The defects liability period in relation to waterproofing works may be up to five years. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our contract assets in relation to projects with defects liability period exceeding one year was approximately RMB536.7 million, RMB705.7 million, RMB870.1 million and RMB845.6 million, respectively. At the end of the defects liability period, our customer would confirm that our obligations of rectification have been completed pursuant to the terms of our construction contract and will release the remaining retention money to us.

According to the Frost & Sullivan Report, the length of our Group's defects liability period ranging from six months to five years is in line with industry norm, which is generally ranged from one to five years, depending on the type of construction services provided.

OUR PROJECTS

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 by project type for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Construction projects										
Construction engineering projects	625,968	47.0	779,248	57.9	763,321	55.4	194,213	52.2	279,378	56.4
Municipal and public construction projects	646,234	48.5	489,206	36.3	403,793	29.3	147,837	39.8	92,850	18.7
Foundation engineering projects	35,092	2.6	60,539	4.5	53,597	3.9	1,776	0.5	53,732	10.8
Specialised contracting projects	23,910	1.9	17,226	1.3	157,344	11.4	28,031	7.5	69,820	14.1
Total	1,331,204	100.0	1,346,219	100.0	1,378,055	100.0	371,857	100.0	495,780	100.0

During the Track Record Period, all of our revenue were made on project basis.

Construction engineering projects

Construction engineering projects primarily consist of structural and/or engineering works such as building, piling, demolition and site formation for commercial and residential buildings. We generally provide construction engineering services to customers from both public and private sectors, including but not limited to government departments, SOEs, listed and private companies in the PRC. During the Track Record Period, our Group generated approximately RMB626.0 million, RMB779.2 million, RMB763.3 million and RMB279.4 million in revenue from construction engineering projects, respectively, representing approximately 47.0%, 57.9%, 55.4% and 56.4% of our total revenue, respectively.

Municipal and public construction projects

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. We generally undertook municipal and public construction projects as a general contractor. Our municipal and public construction customers are mainly government departments and SOEs. During the Track Record Period, our Group generated approximately RMB646.2 million, RMB489.2 million, RMB403.8 million and RMB92.9 million in revenue from municipal and public construction projects, respectively, representing approximately 48.5%, 36.3%, 29.3% and 18.7% of our total revenue, respectively.

Foundation engineering projects

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. We undertook foundation engineering projects as a general contractor in the public sector. During the Track Record Period, our Group generated approximately RMB35.1 million, RMB60.5 million, RMB53.6 million and RMB53.7 million in revenue from foundation engineering projects, respectively, representing approximately 2.6%, 4.5%, 3.9% and 10.8% of our total revenue, respectively.

Specialised contracting projects

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. During the Track Record Period, our Group generated approximately RMB23.9 million, RMB17.2 million, RMB157.3 million and RMB69.8 million in revenue from other specialised contracting projects, respectively, representing approximately 1.9%, 1.3%, 11.4% and 14.1% of our total revenue, respectively.

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	
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

During the Track Record Period, we completed 50, 55, 33 and 26 projects, respectively. As at the Latest Practicable Date, we had 97 ongoing projects (either in progress or yet to commence).

The following table sets forth a breakdown of the number of new projects by contract value with respect to our construction contracting business and relevant revenue recognised for the years/periods indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2020		2021		2022		2023	
	Number of project	Revenue	Number of project	Revenue	Number of project	Revenue	Number of project	Revenue
		RMB'000		RMB'000		RMB'000		RMB'000
Within RMB10 million	33	68,089	38	127,862	31	101,761	24	22,394
RMB10 million to RMB50 million (excluding RMB10 million and RMB50 million)	15	110,562	14	195,177	24	262,813	8	58,743
RMB50 million to RMB100 million	4	133,983	1	55,211	2	32,267	1	—
Over RMB100 million	3	295,484	1	27,014	5	415,140	2	35
Total	55	572,118	54	405,265	62	811,982	35	81,172

During the Track Record Period, we had undertaken the construction projects as general contractor and subcontractor. The following table sets forth the number of projects and the breakdown of our revenue by our role in the project for the years/periods indicated:

	For the year ended 31 December									For the six months ended 30 June		
	2020			2021			2022			2023		
	Number of project	Revenue	% of total revenue	Number of project	Revenue	% of total revenue	Number of project	Revenue	% of total revenue	Number of project	Revenue	% of total revenue
		RMB'000	%		RMB'000	%		RMB'000	%		RMB'000	%
General contractor	96	1,070,316	80.4	83	1,176,457	87.4	184	1,148,058	83.3	106	382,937	77.2
Subcontractor	9	260,888	19.6	18	169,762	12.6	44	229,997	16.7	28	112,843	22.8
	105	1,331,204	100.0	101	1,346,219	100.0	228	1,378,055	100.0	134	495,780	100.0

The following table sets forth the number of projects and the breakdown of our revenue by type of development for the years/periods indicated:

	For the year ended 31 December									For the six months ended 30 June		
	2020			2021			2022			2023		
	Number of project	Revenue	% of total revenue	Number of project	Revenue	% of total revenue	Number of project	Revenue	% of total revenue	Number of project	Revenue	% of total revenue
		RMB'000	%		RMB'000	%		RMB'000	%		RMB'000	%
Infrastructure and public facilities	96	734,612	55.2	89	628,194	46.7	197	581,771	42.2	107	289,870	58.5
Residential	6	512,779	38.5	7	647,487	48.1	14	592,141	43.0	9	90,801	18.3
Commercial	3	83,813	6.3	5	70,538	5.2	17	204,143	14.8	18	115,109	23.2
	105	1,331,204	100.0	101	1,346,219	100.0	228	1,378,055	100.0	134	495,780	100.0

Major projects

The following tables set forth particulars of our major projects during the Track Record Period in terms of revenue contribution:

For the year ended 31 December 2020

Rank	Project	Customer	Customer Type	Project type	Type of development	Location	Commencement date[2]	Completion date[3]	Revenue recognised for the year	Approximate percentage of total revenue for the year[4]	Total contract sum[5]	Approximate percentage of remaining contract sum[6]	Our role
									RMB'000	%	RMB'000	%	
1	Project #87	Huizhou Xingsheng Century Investment Co., Ltd.* (惠州市興盛世紀投資有限公司)	Private company	Construction engineering project	Residential	Huizhou	July 2019	Ongoing	215,271	16.2	724,771	1.3	General contractor
2	Project #129	Customer Group A	Listed company	Construction engineering project	Residential	Shangqiu	April 2020	Ongoing	130,375	9.8	368,313	8.5	General contractor
3	Project #136	CCCC Fourth Harbor Engineering Co., Ltd.* (中交第四航務工程局有限公司)	SOE	Municipal and public project	Infrastructure and public facilities	Dongguan	December 2019	July 2021	105,247	7.9	107,429	nil	Subcontractor
4	Project #137	CCCC Fourth Harbor Engineering Co., Ltd.* (中交第四航務工程局有限公司)	SOE	Municipal and public project	Infrastructure and public facilities	Dongguan	December 2019	July 2021	83,644	6.3	84,516	nil	Subcontractor
5	Project #19	Customer Group A	Listed company	Construction engineering project	Residential	Xuchang	August 2019	Ongoing	78,024	5.9	198,557	nil	General contractor
6	Project #25	Customer C	SOE	Construction engineering project	Commercial	Xuchang	May 2020	Ongoing	73,172	5.5	291,608	73.7	General contractor
								Sub-total	685,733	51.6			

For the year ended 31 December 2021

Rank	Project	Customer	Customer Type	Project type	Type of development	Location	Commencement date[2]	Completion date[3]	Revenue recognised for the year	Approximate percentage of total revenue for the year[4]	Total contract sum[5]	Approximate percentage of remaining contract sum[6]	Our role
									RMB'000	%	RMB'000	%	
1	Project #87	Huizhou Xingsheng Century Investment Co., Ltd.* (惠州市興盛世紀投資有限公司)	Private company	Construction engineering project	Residential	Huizhou	July 2019	Ongoing	281,533	20.9	724,771	1.3	General contractor
2	Project #129	Customer Group A	Listed company	Construction engineering project	Residential	Shangqiu	April 2020	Ongoing	180,982	13.4	368,313	8.5	General contractor
3	Project #160	CCCC Fourth Harbor Engineering Co., Ltd.* (中交第四航務工程局有限公司)	SOE	Municipal and public project	Infrastructure and public facilities	Fushan	November 2020	Ongoing	68,290	5.1	121,996	6.3	Subcontractor
4	Project #144	Xinqi Technology (Dongguan) Co., Ltd.* (新祺科技(東莞)有限公司)	Private company	Construction engineering project	Residential	Dongguan	October 2020	May 2022	59,927	4.5	83,051	nil	General contractor
5	Project #190	Customer I	Private company	Construction engineering project	Commercial	Shanwei	February 2021	Ongoing	55,211	4.1	65,743	0.1	General contractor
6	Project #94	Customer Group A	Listed company	Construction engineering project	Residential	Gongyi	June 2019	Ongoing	52,820	3.9	224,419	2.8	General contractor
								Sub-total	698,763	51.9			

For the year ended 31 December 2022

Rank	Project	Customer	Customer Type	Project type	Type of development	Location	Commencement date(2)	Completion date(3)	Revenue recognised for the year	Approximate percentage of total revenue for the year(4)	Total contract sum(5)	Approximate percentage of remaining contract sum(6)	Our role
									RMB'000	%	RMB'000	%	
1	Project #196	Customer E	SOE	Construction engineering project	Residential	Zhuhai	November 2021	Ongoing	166,199	12.1	284,332	20.6	General contractor
2	Project #237	Shenzhen 5297 Investment Development Co., Ltd.* (深圳市五二九七投資發展有限公司)	SOE	Construction engineering project	Residential and commercial	Shenzhen	April 2022	Ongoing	147,882	10.7	242,897	24.9	General contractor
3	Project #87	Huizhou Xingsheng Century Investment Co., Ltd.* (惠州市興盛世紀投資有限公司)	Private company	Construction engineering project	Residential and commercial	Huizhou	July 2019	Ongoing	141,509	10.3	724,771	1.3	General contractor
4	Project #246	Customer Group D	SOE	Municipal and public project	Infrastructure and public facilities	Shenzhen	February 2022	April 2023	107,369	7.8	108,431	nil	General contractor
5	Project #266	Customer F	Private company	Construction engineering project	Industrial	Huizhou	October 2022	Ongoing	65,857	4.8	207,670	41.5	General contractor
6	Project #285	Huizhou Xingshen Century Investment Co., Ltd.* (惠州市興盛世紀投資有限公司)	Private company	Construction engineering project	Residential	Huizhou	September 2022	Ongoing	64,296	4.7	140,574	42.9	Subcontractor
								Sub-total	693,112	50.4			

For the six months ended 30 June 2023

Rank	Project	Customer	Customer Type	Project type	Type of development	Location	Commencement date(2)	Completion date(3)	Revenue recognised for the period	Approximate percentage of total revenue for the period(4)	Total contract sum(5)	Approximate percentage of remaining contract sum(6)	Our role
									RMB'000	%	RMB'000	%	
1	Project #302	Customer G	SOE	Construction engineering project	Public facilities	Shanwei	January 2023	Ongoing	66,692	13.5	83,258	19.9	General contractor
2	Project #266	Customer F	Private company	Construction engineering project	Industrial	Huizhou	October 2022	Ongoing	55,737	11.2	207,670	41.5	General contractor
3	Project #237	Shenzhen 5297 Investment Development Co., Ltd.* (深圳市五二九七投資發展有限公司)	SOE	Construction engineering project	Residential and commercial	Shenzhen	April 2022	Ongoing	34,533	7.0	242,897	24.9	General contractor
4	Project #196	Customer E	SOE	Construction engineering project	Residential	Zhuhai	November 2021	Ongoing	32,628	6.6	284,332	20.6	General contractor
5	Project #312	Customer H	SOE	Municipal and public project	Renovation	Shanwei	April 2023	Ongoing	30,708	6.2	32,929	6.7	General contractor
6	Project #249	Customer Group D	SOE	Specialised contracting project	Hydropower installation	Shenzhen	July 2022	Ongoing	25,016	5.0	83,230	31.2	Subcontractor
7	Project #275	Customer J	Private company	Specialised contracting project	Drainage	Shanwei	September 2022	March 2023	18,837	3.8	24,085	nil	Subcontractor
								Sub-total	264,151	53.3			

Notes:

1. The aggregated revenue of major projects for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 representing not less than 50% of the total revenue for the respective year/period.

2. Commencement date refers to the date of relevant construction works commencement permit.

3. Completion date refers to the date of relevant practical completion report.

4. Percentage of our revenue is calculated by dividing the revenue of the relevant project recognised for the relevant year/period by the total revenue during the relevant year/period.

5. Total contract sum is the aggregate amount of contract value and variation order as at 30 June 2023.

6. Remaining contract sum is calculated by subtracting the aggregate recognised revenue as at 30 June 2023 from the total contract sum.

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.

Save for disclosed above, none of the construction projects carried out by our Group experienced material suspensions or delays during the Track Record Period.

Loss-making projects during the Track Record Period

During the Track Record Period, we recorded losses in 10 construction projects. The aggregate amount of losses during the Track Record Period was approximately RMB2.2 million and was mainly attributable to cost overrun caused by the unexpected complexities during project implementation. Such losses were provided for and recognised immediately to the relevant periods which is in line with our accounting policies. Save as disclosed above, there was no other loss-making project during the Track Record Period. For details regarding the associated risks, please refer to the section headed "Risk factors — Our Group determines our tender price based on the our pricing policy, and the actual costs incurred may exceed our estimations due to unexpected circumstances, thereby adversely affect our operations and financial results." in this document.

Backlog and new contract sum

Backlog represents an estimate of the remaining aggregate contract sum of our construction projects as at each of the years ended 31 December 2020, 2021 and 2022 and as at the six months ended 30 June 2023. New contract sum represents the aggregate contract sum of construction projects undertaken by us during a specified period. 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
For the year ended 31 December 2020					
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	625,968	646,234	35,092	23,910	1,331,204
Closing aggregate contract sum of backlog	1,014,534	372,202	19,964	6,881	1,413,582
For the year ended 31 December 2021					
Opening aggregate contract sum 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	779,248	489,206	60,539	17,227	1,346,219
Closing aggregate contract sum of backlog	693,114	227,803	7,951	42,481	971,349
For the year ended 31 December 2022					
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	763,321	403,793	53,597	157,344	1,378,055
Closing aggregate contract sum of backlog	981,386	196,580	35,439	154,800	1,368,205
For the six months ended 30 June 2023					
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	279,378	92,850	53,732	69,820	495,780
Closing aggregate contract sum of backlog	945,391	374,151	60,050	83,192	1,462,784
From 1 July 2023 to the Latest Practicable Date					
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	69,589	44,258	14,076	7,701	135,624
Closing aggregate contract sum of backlog	1,241,610	514,717	45,974	75,491	1,877,792

The decrease in the closing aggregate contract sum of backlog from approximately RMB1,413.6 million for the year ended 31 December 2020 to approximately RMB971.3 million for the year ended 31 December 2021 was mainly driven by the decrease in new construction projects contracted. The decrease in the aggregate contract value of the new construction projects contracted from approximately RMB1,241.8 million for the year ended 31 December 2020 to approximately RMB886.8 million for the year ended 31 December 2021 was mainly due to a larger number of construction projects with contract value greater than RMB100.0 million awarded to our Group in 2020, such as Project #129 with a contract value (excluding VAT) of approximately RMB360.1 million, Project #136 with a contract value (excluding VAT) of approximately RMB101.3 million and Project #160 with a contract value (excluding VAT) of approximately RMB122.0 million, whereas Project #196 with a contract value (excluding VAT) of approximately RMB284.3 million was the only construction project with contract value greater than RMB100.0 million awarded to the Group in 2021.

The closing aggregate contract sum of backlog increased by approximately RMB396.9 million or 40.9% from approximately RMB971.3 million for the year ended 31 December 2021 to approximately RMB1,368.2 million for the year ended 31 December 2022. Such increase was mainly due to the aggregate contract value of the new construction projects contracted of approximately RMB1,665.5 million, which primarily consisted of Project #237, a construction engineering project, with a contract value (excluding VAT) of approximately RMB242.9 million, Project #246, a municipal and public project, with a contract value (excluding VAT) of approximately RMB108.4 million, Project #266, a construction engineering project, with a contract value (excluding VAT) of approximately RMB207.7 million, Project #265, a construction engineering project, with a contract value (excluding VAT) of approximately RMB171.7 million, Project #285, a construction engineering project, with a contract value (excluding VAT) of approximately RMB140.6 million, Project #302, a construction engineering project, with a contract value (excluding VAT) of approximately RMB83.3 million and Project #249, a specialised contracting project, with a contract value (excluding VAT) of approximately RMB83.2 million for the year ended 31 December 2022.

The closing aggregate contract sum of backlog further increased by approximately RMB94.6 million or 6.9% from approximately RMB1,368.2 million for the year ended 31 December 2022 to approximately RMB1,462.8 million for the six months ended 30 June 2023. Such increase was mainly due to the aggregate contract value of the new constructions contracted of approximately RMB615.7 million, which primarily consisted of Project #333, a municipal and public project, with a contract value (excluding VAT) of approximately RMB109.5 million, Project #329, a municipal and public project, with a contract value (excluding VAT) of approximately RMB102.1 million and Project #311, a construction engineering project, with a contract value (excluding VAT) of approximately RMB99.3 million.

The backlog value of the projects on hand as at the Latest Practicable Date further increased to approximately RMB1,877.8 million, which was higher than the backlog value as at 30 June 2023 (i.e. approximately RMB1,462.8 million), 31 December 2022 (i.e. approximately RMB1,368.2 million), 31 December 2021 (i.e. approximately RMB971.3 million) and 31 December 2020 (i.e.

RMB1,413.6 million). In light of the aforesaid, the Directors believe that our Group will be able to secure and undertake additional projects on top of the present scale of operation with the support from the Group's proven track record and the pro-active approach on tender submission and the current projects on hand if we are able to continue to increase the available resources, including manpower, machinery and financial resources.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our revenue from variation orders amounted to approximately RMB88.6 million, RMB127.6 million, RMB112.2 million and RMB10.0 million, respectively.

Business Sustainability

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 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 factors — Risks relating to our business and industry — Risks relating to our business" in this document. Our Directors are of the view that our Group's business is sustainable taken into account the followings:

(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 qualifications 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 diversifying and expanding 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 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 RMB4,481.2 million. The continuous progress in securing projects demonstrates 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 our 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.

CUSTOMERS, SALES AND MARKETING

Sales and marketing

Our commerce department is responsible for preparing tender submission proposals, maintaining customer relationships, handling public relations, conducting evaluation on our customers, conducting market researches, and is responsible for our Group's overall sales and marketing policy. We also maintain our own database for bidding and tendering, and pay efforts to identify and explore new tendering opportunities based on public and available information from the government and on the internet. Through our sales and marketing efforts, we keep abreast of information of new and potential projects of existing and potential customers.

Our customers mainly include government departments, SOEs, and listed and private enterprises. A vast majority of our construction projects were obtained by way of tenders. During the Track Record Period, we submitted 2,918, 4,318, 3,293 and 1,642 tender documents, respectively, and our tender success rates were 1.5%, 1.0%, 0.9% and 1.1%, respectively.

Customers

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our total revenue amounted to approximately RMB1,331.2 million, RMB1,346.2 million, RMB1,378.1 million and RMB495.8 million, respectively.

Our customers mainly include government departments, SOEs, and listed and private enterprises. Our projects can be further categorised into public sector projects and private sector projects. Public sector projects refer to projects from customers who are government departments and SOEs, while private sector projects refer to projects from customers who are non-SOEs and other listed and private enterprises engaging in various industries. The majority of our revenue during the Track Record Period was derived from public sector projects. The following table sets forth the number of projects and the breakdown of our revenue by project sector for the years/periods indicated:

	For the year ended 31 December									For the six months ended 30 June		
	2020			2021			2022			2023		
	Number of project	Revenue	% of total revenue	Number of project	Revenue	% of total revenue	Number of project	Revenue	% of total revenue	Number of project	Revenue	% of total revenue
		RMB'000	%		RMB'000	%		RMB'000	%		RMB'000	%
Public sector	97	807,784	60.7	81	578,196	42.9	179	846,380	61.4	96	291,492	58.8
Private sector	8	523,420	39.3	20	768,023	57.1	49	531,675	38.6	38	204,288	41.2
	105	1,331,204	100.0	101	1,346,219	100.0	228	1,378,055	100.0	134	495,780	100.0

The following table sets forth the breakdown of revenue by geographical locations of our projects for the years/periods indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2020		2021		2022		2023	
Province	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Guangdong Province	982,248	73.8	1,020,376	75.8	1,215,710	88.2	450,402	90.8
Henan Province	347,979	26.1	276,764	20.6	52,771	3.8	7,334	1.5
Sichuan Province	—	—	9,784	0.7	38,056	2.8	14,088	2.8
Fujian Province	—	—	22,905	1.7	36,328	2.6	2,088	0.4
Others *(Note)*	977	0.1	16,390	1.2	35,190	2.6	21,868	4.5
Total	1,331,204	100.0	1,346,219	100.0	1,378,055	100.0	495,780	100.0

Note: The other construction projects were located in Hubei Province, Zhejiang Province and Xinjiang Uygur Autonomous Region.

During the Track Record Period, we generated revenue mainly from construction projects located in Guangdong Province and Henan Province, which in aggregate amounted to approximately RMB1,330.2 million, RMB1,297.1 million, RMB1,268.5 million and RMB457.7 million, respectively, accounting for approximately 99.9%, 96.4%, 92.0% and 92.3% of the total revenue, respectively. The other construction projects were located in Sichuan Province, Fujian Province, Zhejiang Province and Xinjiang Uygur Autonomous Region.

The following tables set forth basic information of our five largest customers during the Track Record Period:

For the year ended 31 December 2020

Rank	Customer	Year of establishment	Registered capital	Principal business	Commencement year of business relationship since	Credit terms	Payment method	Revenue	Approximate percentage of our total revenue
								RMB'000	%
1.	Customer Group A *(note 2)*	2015	RMB60.0 million	A group of property developers which are subsidiaries of a company listed on the Stock Exchange in 2007 with a market capitalisation of approximately HK$30.4 billion as at 9 August 2023	2019	7 days from the invoice date	Bank remittance	274,807	20.6
2.	CCCC Fourth Harbor Engineering Co., Ltd.* (中交第四航務工程局有限公司)	1983	RMB5.0 billion	A SOE principally engaged in construction contracting works for municipal public utilities and sale and manufacturing of PC components in the PRC	2019	7 days from the invoice date	Bank remittance	252,012	18.9
3.	Huizhou Xingsheng Century Investment Co., Ltd.* (惠州市興盛世紀投資有限公司)	2016	RMB40.0 million	A private company principally engaged in real estate development	2018	7 days from the invoice date	Bank remittance	215,271	16.2
4.	Customer Group B *(note 3)*	2000	HKD7.2 billion	A group of property developers which are subsidiaries of a company listed on the Stock Exchange in 1996 with a market capitalisation of approximately HK$244.2 billion as at 9 August 2023	2019	N/A *(note 1)*	Bank remittance	89,791	6.7
5.	Customer C	2009	RMB1.2 billion	A SOE principally engaged in investment business	2019	N/A *(note 1)*	Bank remittance	73,172	5.5
							Five largest customers total	905,053	67.9
							Other customers	426,151	32.1
							Total	1,331,204	100.0

For the year ended 31 December 2021

Rank	Customer	Year of establishment	Registered capital	Principal business	Commencement year of business relationship	Credit terms	Payment method	Revenue	Approximate percentage of our total revenue
								RMB'000	%
1.	Huizhou Xingsheng Century Investment Co., Ltd.* (惠州市興盛世紀投資有限公司)	2016	RMB40.0 million	A private company principally engaged in real estate development	2018	7 days from the invoice date	Bank remittance	281,533	20.9
2.	Customer Group A *(note 2)*	2016	RMB60.0 million	A group of property developers which are subsidiaries of a company listed on the Stock Exchange in 2007 with a market capitalisation of approximately HK$30.8 billion as at 9 August 2023	2019	7 days from the invoice date	Bank remittance	276,764	20.6
3.	CCCC Fourth Harbor Engineering Co., Ltd.* (中交第四航務工程局有限公司)	1983	RMB5.0 billion	A SOE principally engaged in construction contracting works for municipal public utilities and sale and manufacturing of PC components in the PRC	2019	7 days from the invoice date	Bank remittance	71,228	5.3
4.	Shenzhen Huachuang Building Decoration Co., Ltd.* (深圳華創建築裝飾股份有限公司) *(note 5)*	2005	RMB89.6 million	A private company principally engaged in construction contracting works and sale of construction materials in the PRC	2021	N/A *(note 1)*	Bank remittance	69,702	5.2
5.	Xinqi Technology (Dongguan) Co., Ltd.* (新祺科技(東莞)有限公司)	2003	US$7.2 million	A private company principally engaged in manufacture and sales of electronic components	2020	15 days from the invoice date	Bank remittance	59,927	4.5
							Five largest customers total	759,154	56.5
							Other customers	587,065	43.5
							Total	1,346,219	100.0

For the year ended 31 December 2022

Rank	Customer	Year of establishment	Registered capital	Principal business	Commencement year of business relationship since	Credit terms	Payment method	Revenue	Approximate percentage of our total revenue
								RMB'000	%
1.	Huizhou Xingsheng Century Investment Co., Ltd.* (惠州市興盛世紀投資有限公司)	2016	RMB40.0 million	A private company principally engaged in real estate development	2018	7 days from the invoice date	Bank remittance	205,806	14.9
2.	Customer Group D *(note 4)*	1953	RMB44.0 billion	A group of SOEs principally engaged in construction contracting works for building and municipal public utilities in the PRC	2018	7 days from the date of payment certificate	Bank remittance	168,065	12.2
3.	Customer E	1992	RMB50.0 million	A SOE principally engaged in investment, asset management and real estate development and property management	2021	30 days from the invoice date	Bank remittance	166,199	12.1
4.	Shenzhen 5297 Investment Development Co., Ltd.* (深圳市五二九七投資發展有限公司)	2015	RMB1.0 million	A SOE company principally engaged in real estate development	2021	30 days from the invoice date	Bank remittance	151,424	11.0
5.	Customer F	2007	RMB175.0 million	A private company principally engaged in manufacturing of electronic components	2022	14 days from the date of payment certificate	Bank remittance	79,852	5.8
							Five largest customers total	771,346	56.0
							Other customers	606,709	44.0
							Total	1,378,055	100.0

For the six months ended 30 June 2023

Rank	Customer	Year of establishment	Registered capital	Principal business	Commencement year of business relationship	Credit terms	Payment method	Revenue	Approximate percentage of our total revenue
								RMB'000	%
1.	Customer G	N/A	N/A	Government unit in Haifeng County	2023	14 days from the invoice date	Bank remittance	66,692	13.5
2.	Customer F	2007	RMB175.0 million	A private company principally engaged in manufacturing of electronic components	2022	14 days from the date of payment certificate	Bank remittance	55,954	11.3
3.	Shenzhen 5297 Investment Development Co., Ltd.* (深圳市五二九七投資發展有限公司)	2015	RMB1.0 million	A SOE company principally engaged in real estate development	2021	30 days from the invoice date	Bank remittance	40,926	8.3
4.	Customer E	1992	RMB50.0 million	A SOE principally engaged in investment, asset management and real estate development and property management	2021	30 days from the invoice date	Bank remittance	32,628	6.6
5.	Customer H	N/A	N/A	Government unit in Haifeng County	2023	7 days from the invoice date	Bank remittance	30,709	6.2
							Five largest customers total	226,909	45.9
							Other customers	268,871	54.1
							Total	495,780	100.0

Notes:

1. Sales are generally made without presumed credit term for this customer.

2. Customer Group A represents a group of companies based in the PRC with an aggregate registered capital of RMB60 million and the ultimate holding company of which is the same and listed on the Stock Exchange. The aforementioned holding company is principally engaged in the sales of properties, property development, construction fitting and decoration, property investment, property management and hotel operation.

3. Customer Group B represents a group of SOEs based in the PRC with an aggregate registered capital of approximately HK$7.2 billion and the ultimate holding company of which is the same and listed on the Stock Exchange. The aforementioned holding company is principally engaged in the development of properties for sale.

4. Customer Group D represents a group of SOEs based in the PRC with an aggregate registered capital of RMB50 billion and the ultimate holding company of which is the same.

5. Shenzhen Huachuang Building Decoration Co., Ltd.* (深圳華創建築裝飾股份有限公司) was also our supplier and subcontractor during the Track Record Period. Please refer to the paragraph below headed "Relationship with major customer that was also our supplier during the Track Record Period" for details.

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.

Our Directors confirm that as at the Latest Practicable Date, all of our five largest customers for each of the year/period during the Track Record Period were Independent Third Parties and they have no past or present relationships (including, but not limited to, employment, trust, financing, or family relationship) with our Group, its directors, shareholders, senior management or any of their respective associates. None of our Directors and their respective close associates or any of the Shareholders, who to the best knowledge of our Directors own more than 5% of the issued Shares immediately after the completion of the [REDACTED] and Capitalisation Issue, has any interests in any of such five largest customers during the Track Record Period.

Relationship with major customer that was also our supplier 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")

Shenzhen Huachuang is principally engaged in the provision of construction contracting work services and the sale of construction materials in the PRC.

During the Track Record Period, we provided construction engineering and specialised contracting services to Shenzhen Huachuang. For each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our total revenue generated from Shenzhen Huachuang amounted to approximately nil, RMB69.7 million, RMB16.8 million and nil, respectively, representing approximately nil, 5.2%, 1.2% and nil of our total revenue, respectively, for the corresponding periods. Gross profit for sale to Shenzhen Huachuang for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 was approximately nil, RMB4.6 million, RMB0.8 million and nil, respectively.

During the Track Record Period, we also engaged Shenzhen Huachuang for the provision of raw materials and construction services. For each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our total purchases from Shenzhen Huachuang amounted to approximately RMB4.8 million, RMB1.4 million, nil and nil, respectively, representing approximately 0.4%, 0.1%, nil and nil of our total purchase amount, respectively, for the corresponding periods. Our Directors confirm that the terms of engagement we entered into with Shenzhen Huachuang were similar to those we entered into with other customers and suppliers.

Zhongjian Hetu Construction Co., Ltd.* (中建河圖建設有限公司) ("Zhongjian Hetu")

Zhongjian Hetu is principally engaged in the provision of construction contracting work services in the PRC.

During the Track Record Period, we provided foundation engineering and specialised contracting services to Zhongjian Hetu. For each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our total revenue generated from Zhongjian Hetu amounted to approximately nil, nil, RMB27.2 million and RMB27.9 million, respectively, representing approximately nil, nil, 2.0% and 5.6% of our total revenue, respectively, for the corresponding periods. Gross profit for sale to Zhongjian Hetu for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 was approximately nil, nil, RMB1.5 million and RMB1.6 million, respectively.

During the Track Record Period, we also engaged Zhongjian Hetu for the provision of construction contracting work services. For each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our total purchases from Zhongjian Hetu amounted to approximately RMB3.9 million, nil, nil and nil, respectively, representing approximately 0.3%, nil, nil and nil of our total purchase amount, respectively, for the corresponding periods. Our Directors confirm that the terms of engagement we entered into with Zhongjian Hetu were similar to those we entered into with other customers and suppliers.

Salient terms of typical sales agreements with our customers

We generally enter into master sales contracts with our customers on project basis, which our Directors believe is in line with the general market practice of the industry. The master contract sets out the terms and conditions including the location of project, duration of project, and payment methods. The terms of each master contract entered into between our Group and the customers may vary significantly as they depend on various factors such as the duration, nature and complexity of the project.

The following table sets forth the summary of the typical key terms and conditions of the agreement with our customers:

Contract term:	Typically 1 month to 3 years, depending on the scale and complexity of the construction project.
Pricing and price adjustment:	Usually on a fixed unit price or fixed total price basis. The final contract sum of fixed unit price contract is to be determined based on agreed unit rates and measurement of quantities of work completed. While the final contract value of fixed total price contract is fixed and could only be adjusted in certain circumstances stipulated in the contract such as request by the customers for additional services or changes in specification under variation orders. If during the course of the project there is any material change in the scope of work (such as change in work quantity, timetable of the project or when additional work is required), supplemental agreements will be entered into between us and our customers to document the price adjustments.

Payment term:	We adopt progress payment methods in our construction contracts. Typically, approximately 0% to 30% of the contract value is required as upfront payment before the project begins. During the project execution phase, we would submit progress reports to our customers periodically, indicating the volume of work that we have performed. Subject to the certification of work by the independent supervision entity appointed by our customers, we would be entitled to request for progress payments. The progress billable amount is usually based on a progress billable percentage, generally ranging from 60% to 80%, of the total certified value of work performed, as stipulated in the relevant construction contracts. The total amount we are entitled to make billing to our customers (on an accumulative basis) is generally up to 95% to 97% of the final settlement value after the completion and acceptance of the project. Approximately 3% to 5% of the final settlement value will be retained by our customers as retention money and will be paid to us upon expiration of the defects liability period.
Performance guarantee:	We may be required to pay performance guarantee in the form of a letter of guarantee of not exceeding 15% of the contract value or a specified amount stipulated in the construction contract.
Defects liability period:	We may be required to provide a defects liability period ranging from 6 months to 5 years for the practical completion of the construction project. During the defects liability period, our Group is responsible for remedial works which may arise from the defective works or materials used.
Subcontracting:	Depending on the scale and complexity of each project, we may be allowed to engage subcontractors to provide some of the specialised construction services required. Generally, we are required to inform and obtain approval from customers before we engage subcontractors.

Defaults/termination:	Our customer may be entitled to terminate the contract if there is a breach of contract by us. Usually, we will be deemed to have breached the contract if we (i) fail to meet the agreed quality or regulation standard; or (ii) cause delay in the construction works without any reasonable excuse. We may be required to pay a fixed amount of damages to the aggrieved party to compensate for its losses. Generally, our construction contracts may be terminated (i) by mutual agreement between both parties; (ii) by us in the event that the customer delays payment without prior agreement, and such delays have not been rectified within the timeframe as specified in the construction contract; (iii) by the customer in the event that we subcontract the construction work in whole or in part without prior approval from the customer; or (iv) by any party due to a breach by the other party which prevents the performance of the contract. In such event, the customer shall settle all outstanding payments to our Group, and all remaining construction works will cease.

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 project (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, a customer will provide a list of items and works for the completion of the construction project (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. We usually determine the bid price or quotation on project-to-project basis depending on the following factors, including (i) the scope and complexity of the work; (ii) delivery schedule; (iii) the estimated cost of the required materials and leasing of equipment and machinery; (iv) the estimated subcontracting cost; (v) historical price fluctuation of major cost items; (vi) the pricing of the prevailing projects of similar scale; (vii) the prices that might be offered by other bidders; (viii) the expected profit margin; and (ix) payment terms. The bid price or quotation is usually prepared by our commerce department and approved by our senior management team. Our goal is to maintain the competitiveness of our pricing while maximising our profit margin.

Our contracts for construction projects are typically awarded and carried out on a fixed unit price or fixed total price basis. Under our fixed unit price contract, the final contract sum will be determined based on agreed unit rates and quantities of work completed. While for fixed total price contract, the contract value is fixed and could only be adjusted in certain circumstances stipulated in the contract such as request by the customers for additional services or changes in specification under variation orders. For details regarding the associated risks of our fee, please refer to the section headed "Risk factors — Our Group determines our tender price based on our pricing policy, and the actual costs incurred may exceed our estimations due to unexpected circumstances, thereby adversely affect our operations and financial results" in this document.

Credit policy and credit management

Our Group generally allows our customers to settle within one month from the invoice date. In determining the applicable credit term for each customer, we consider various factors, including the length of the business relationship, the payment track record, size of operations and reputation of the customer, and the scale of the construction project. Our customers typically settle our bills by bank transfers.

Our trade receivables turnover days is approximately 43.6 days, 68.1 days, 62.2 days and 59.5 days for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023, respectively. We implement internal control measure and review our overdue trade receivables regularly, and when appropriate, provide for impairment of such trade receivables. During the Track Record Period, our Group did not experience any significant bad debts. Further details on our trade receivables turnover days are set out in the section headed "Financial information — Discussion on selected items of the consolidated balance sheet — Trade and bills receivables — Trade receivables" in this document.

Credit risk management

We have put in place a credit risk management for trade receivables and contract assets. We have applied both qualitative and quantitative measures of preventive and detective nature for the purpose of (i) minimizing default risks; (ii) facilitating a timely collection; (iii) taking pro-active action; and (iv) making appropriate disclosure to the public for any potential impact.

Our Board is ultimately responsible for managing the overall credit risks and monitoring the management team, including the financial manager and other personnel who are delegated with the execution of the day-to-day credit risk management measures. The key credit risk management measures include:

1. *Credit history check*

We have established a credit history check procedure for our customers before tendering. Such credit history check focuses on the assessment of credit status of customers that are private companies. Our management team would assess the credit level of customers based on a combined consideration of the payment history and credit status of customers or their shareholders revealed in credit reports.

Moreover, all sizeable projects (being projects of contract sum of around 5% of our yearly total income, currently set at RMB67 million) must be approved by the risk control team which composes of the Chief Executive Officer, financial manager, department head of various departments, such as engineering department. Further, our management team is responsible for reviewing the credit reports of our customers and ensuring that they have a sound credit history, including absence of material default history of the customers or their shareholders.

2. ***Specific credit risk control***

We have established a control procedure to set a limitation to entering new businesses with new and existing customers who are subject to the following trends or signals of defaults. The control procedure is intended to devise a specific action plan for potential default cases.

- A customer has clear trends of credit default or insolvency.
- A customer has an outstanding trade receivables and contract assets larger than 15% of total trade receivables and contract assets of our Group.

Specifically, our executive Director will made an executive order to devise an action plan for customers whose credit risk trends or signals appear to meet the above criteria. The action plan includes (i) holding up new tendering and related projects with that customer to minimize further credit risks exposure; and (ii) monitoring the progress of relevant ongoing projects.

3. ***Overall collection target***

We have established a control procedure to set a target of recovering trade receivables and contract assets to ensure a progressive collection. Since 2022, our management team has set an overall recovery baseline target at 75% as compared with the current income incurred. Our management team also has a monitoring mechanism to monitor the recovery status on a quarterly basis. Based on the recovery analysis performed by the management team, our Group has fulfilled the pre-set ratio.

4. ***Reconciliation and follow-up***

We have established a procedure to formally reconcile and follow-up with customers who are classified as top ten customers (by trade receivables and contract assets), or come with an overdue trade receivables (i.e. one month) and contract assets exceeding 5% of total contract assets of the Group.

This procedure shall be conducted regularly in interval no less than annual with the intent to circulate an official notification to the relevant customers reminding them to settle the amounts in due course; and it serves as an expressing business pressure which would form a basis of any future potential legal actions.

5. ***Contingent action plan***

Our Group takes pro-active action to follow up material long outstanding trade receivables and contract assets. We have a credit risk management policy that requires us to take further actions, for example, appointing collection agency or filing legal claims, for amounts larger than 3% of total trade receivables which has a long outstanding status of over 3 years. For default cases suddenly emerged, we shall take it as a matter reserved for the Board, and hence must obtain approval from the Board before accepting any restructuring plan proposed by the counterparty or initiated by us.

6. ***Reporting and disclosure***

We have established a monthly reporting system by which the management shall update the Board of the financial information and operational information of the month, such as an trade receivables ageing analysis, recovery status and any signal of default of customers.

Result of assessment

Our Board would review the overall recoverability of customers and liquidity of our Group and, in case of material default, would consider making appropriate and timely inside information disclosure. Our Board has also considered certain foundational factors, such as (i) a relative higher proportion of trade receivables and contract assets is due from customers that are SOEs; (ii) the relatively diversified customer bases and related trade receivables and contract assets; and (iii) there has not been material default cases. On this basis, our Directors are of the view that with the implementation of aforesaid measures, our Group has been able to manage its credit risks to a reasonable level. Our Board also undertakes to timely inform the public for any potential impact.

On 10 August 2023, the Internal Control Consultant has completed the review on the implementation status of aforesaid measures up to 30 June 2023 and do not identified material internal control defects. According to the results of the Internal Control Consultant Review result, our Directors are of the view that these measures are effective and adequate for the intended purposes of (i) minimizing default risks; (ii) facilitating a timely collection; (iii) taking pro-active action; and (iv) making appropriate disclosure to the public for any potential impact.

The Sole Sponsor has also taken additional steps, including reviewing the latest overall trade receivables and contract assets profiles of our Group, discussing credit loss provision with the management, and taking actual recoverability into considerations, the Sole Sponsor concurs with the view of our Directors.

Seasonality

We normally record lower sales during the first quarter of a year as construction activities are less active due to Chinese New Year. For details, please refer to the sections headed "Risk factors — Risk relating to our business and industry — Risks relating to our business — Our construction business is subject to seasonality".

RAW MATERIALS, EQUIPMENT AND MACHINERY, AND SUBCONTRACTING SUPPLIERS

Raw materials

Raw material costs is the largest component in our Group's cost structure and accounted for approximately 46.7%, 49.2%, 47.4% and 52.5%, respectively, of our total cost of revenue for the Track Record Period. The principal raw materials used in our construction projects include concrete and steel (rebar and sheet pile), all of which are procured from suppliers in the PRC. Save for the raw materials purchased by our specialised construction subcontractors, our project management teams are severally responsible for formulating the procurement plan and budget in accordance with the respective project specifications.

The following table sets forth the breakdown of our Group's raw material costs by type of raw materials for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	% of total cost of revenue	RMB'000	% of total cost of revenue	RMB'000	% of total cost of revenue	RMB'000	% of total cost of revenue	RMB'000	% of total cost of revenue
							(Unaudited)			
Concrete	163,122	12.9	164,179	12.9	128,781	9.9	50,575	14.4	34,088	7.3
Steel	169,147	13.4	143,218	11.2	111,252	8.6	30,680	8.8	65,319	14.0
Others[(1)]	256,439	20.4	320,089	25.1	376,032	28.9	95,821	27.4	145,711	31.2
Total raw material costs	590,708	46.7	627,486	49.2	616,065	47.4	177,076	50.6	245,118	52.5

Note: Others raw material costs primarily consisted of costs of aggregates, asphalt, bricks, cement, pipes and other construction materials.

For discussion and analysis of the above table, please refer to the section headed "Financial information — Discussion on selected items of consolidated income statement — Cost of revenue".

Unless otherwise requested by our customers, our project management teams will procure raw materials from suppliers which have been pre-approved by our Group. Suppliers are approved based on certain criteria including their track record, reputation, possession of requisite licenses, price and quality of products and services. Raw materials suppliers with close proximity to our construction sites will generally be selected to shorten order lead time and reduce transportation cost provided that they meet our aforementioned approval criteria. Our project management teams will normally obtain quotations and/or samples from suppliers prior to order placements. The amount and timing of raw materials to be ordered are assessed by our project management teams on a project-by-project basis depending on the progress and specific requirements of each project. To ensure our services meet the specification of our customers, we have stringent quality control procedures for incoming raw materials. For details, please refer to the paragraph headed "Quality control and management — Inspection of raw materials" in this section.

Price adjustment terms may be included in certain construction contracts entered into between our Group and the customers, which allow us to mitigate part of the risk of price fluctuations by passing it to our customers. For details, please refer to the paragraph headed "Customers, sales and marketing — Pricing policy" in this section. For the sensitivity analysis of the impact of hypothetical changes in the raw material cost on our Group's profit during the Track Record Period, please refer to the section headed "Financial information — Significant factors affecting our results of operation and financial condition — Fluctuation in cost of revenue" in this document.

Salient terms of typical purchase agreements with our raw material suppliers

We generally enter into framework purchase agreements with our raw material suppliers on a project-by-project basis. Salient terms of typical purchase agreements for principal raw materials are summarised below:

Unit price, volume and specification of products:	The contract specifies the specification of products, unit price and expected volume (where applicable) to be purchased by our Group. There is no minimum purchase commitment on our Group.
Pricing:	The total price of raw materials is not fixed under the purchase agreements and is determined by a unit price and the total volume of raw materials delivered. The unit price is determined (i) with reference to the prevailing market price; or (ii) through negotiation with our suppliers with reference to prevailing market price.
Price adjustment:	The unit price will be adjusted (i) upon each purchase order to take into account of any fluctuations in the market price; or (ii) when the market price of raw materials has changed beyond a certain percentage.
Delivery, inspection and acceptance:	Raw materials are generally delivered by our suppliers directly to the construction sites designated by us. The delivery cost and risks are usually borne by our suppliers. Upon delivery, our staff will ensure the volume/quantity and quality are in accordance with our specification and standard by (i) performing inspection; (ii) collecting the relevant quality assaying reports; and/or (iii) collecting sample for further testing. If the quality falls below the specified requirements under the relevant agreement, the supplier will be liable to replace the goods.

Payment terms:	Our Group is generally required to settle our purchases on a monthly basis for purchases made in the previous month or upon delivery as set forth in our purchase agreements. We are generally required to settle payment within 7 to one month from the invoice date. Prepayments for raw materials procurement may be required on a case-by-case basis and by negotiation.

Inventory management

Our inventory is comprised primarily of raw materials, mainly being steel and consumables, which are used in our construction process. Our Group maintain and procure raw materials in accordance with our anticipated construction schedule to minimise wastage and avoid accumulation of obsolete inventories. The raw materials we purchase are generally delivered by our suppliers directly to the respective construction sites for prompt consumption and we store raw materials by category. Most of the raw materials we procure are essential to the construction industry, and therefore widely and readily available in the open market. During the Track Record Period, we did not experience any significant delays or shortages in supply of our raw materials which caused disruption to our works, and we do not anticipate significant difficulties in obtaining alternative sources of supply if necessary. For details regarding the risks associated with the availability of raw materials, please refer to the section headed "Risk factors — Our results of operations may be significantly affected by changes in the prices and availability of raw materials" in this document.

Due to the nature of our business, we keep low inventory levels for our operations. As such, inventory turnover days is not indicative of our operation status. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, our Group's inventory amounted to approximately RMB0.1 million, RMB0.4 million, RMB0.3 million and RMB0.2 million, respectively.

Equipment and machinery

We require the use of a range of equipment and machinery such as construction cranes, excavators, scaffolding and dump truck, to perform our construction works. The equipment and machinery we used in our operation were leased from leasing service suppliers. During the Track Record Period, the equipment and machinery usage cost amounted to approximately RMB60.8 million, RMB99.2 million, RMB91.5 million and RMB43.9 million, representing approximately 4.8%, 7.8%, 7.0% and 9.4% of our total cost of revenue, respectively.

We determine the type, duration and quantity of the equipment and machinery required on a project-by-project basis by taking into account the project size, project nature, expected cost and project specifications. We select our equipment and machinery leasing service suppliers based on numerous factors, including geographic location, price, service and the specification of the equipment and machinery offered. Our equipment and machinery leasing service suppliers are generally responsible for transporting the equipment and machinery to the designated construction sites, providing relevant qualified operators and maintaining the equipment and machinery during the respective leasing period.

During the Track Record Period, we did not experience any difficulty in renting sufficient equipment and machinery.

Subcontracting

During the Track Record Period, we engaged subcontractors to provide (i) labour services; and (ii) certain specialised construction services on a project-by-project basis. Save for the personnel from our project management team, which include, among others, project manager, technical supervisor, construction officer, mechanical officer, procurement officer, labour officer, standardisation officer, safety officer, quality officer and information officer, all of our construction labour force and specialised construction workers were provided by third party subcontractors. We believe that by engaging subcontractors, our Group can (i) deploy our valuable resources and focus on our core business needs which consist of project bidding, project management, cost control, quality control, occupational health and safety management and construction schedule; (ii) circumvent the tedious administrative processes of hiring full-time employees such as recruitment, training and payroll management; (iii) minimise legal risks and obligations; (iv) minimise the risks of labour shortage; (v) increase productivity and cost effectiveness; and (vi) utilise specialised construction workers with niche experience without long-term employment commitments.

We are selective of the subcontractors we work with and consider a number of factors, including but not limited to, track record and experience, past performance, possession of requisite licenses and qualifications, technological capabilities, labour resources, price, reputation and safety record.

In the selection of our subcontractors, we have established specific policies and practices (i) to ensure all subcontractors possess the necessary licenses for the works they are to be engaged for (ii) to conduct search on the background of relevant directors and shareholders, capital commitment, compliance records and inspect other certificates they may possess. We select subcontractors with higher level of compliance records, ethical standards, and quality of works, among other important commercial terms considerations, we have maintained a list of approved suppliers for all significant and strategic suppliers, including labour subcontractors and specialised construction subcontractors.

During courses we work with the subcontractors, our project managers are responsible for:

- holding meetings with designated representatives of subcontractors to communicate the works requirement and formulating work schedules acceptable by both sides;

- monitoring the performance of subcontractors and raising demands and concerns to designated representatives of subcontractors at construction sites; and

- requiring subcontractors to formulate work schedules and producing timely progress reports.

We regularly conduct performance review of our significant and strategic subcontractors.

For details on the risks associated with labour and specialised construction services subcontracting, please refer to the section headed "Risk factors — Risks relating to our business — As we engage subcontractors in our works, unsatisfactory performance by our subcontractors may possibly affect our profitability and operation" in this document.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material interruption of operations as a result of any disputes between us and our subcontractors or other uncertainties and contingencies which may materially and adversely affect the business of our Group.

Labour subcontracting

Our Group entered into labour subcontracting agreements with labour subcontractors. During the Track Record Period, the subcontracting costs attributable to labour services amounted to approximately RMB386.6 million, RMB403.4 million, RMB409.9 million and RMB126.8 million, representing approximately 30.6%, 31.6%, 31.6% and 27.1% of our total cost of revenue, respectively.

Salient terms of typical subcontracting agreements with our labour subcontractors

Salient terms of typical subcontracting agreements with our labour subcontractors are summarised below:

Responsibilities:	The labour subcontractors are responsible for providing labour force to undertake the work as required and determined by us and under the supervision of our project management teams. The labour subcontractors are responsible for the overall management, training and requisite licenses and permits of their workers. The labour subcontractors are also responsible for its labour force's payroll and payment of social insurance, housing provident fund and tax obligations.

Quality and safety: The labour subcontractors are primarily responsible for complying with the quality and safety standards, conducting training to their workers and monitoring their adherence to the safety measures and procedures. In the event that the quality of work fails to meet the quality standards as required by us, relevant regulations or local governmental authorities, the labour subcontractors are responsible for reworks and the associated costs. In general, most of our labour subcontracting agreements provide that our labour subcontractors are liable to safety accidents occurred during their construction work.

According to the relevant PRC laws and regulations, we, as the general contractor, and our labour subcontractors are jointly liable to any safety accidents on the construction project. However, our labour subcontractors shall hold the principal liability if the safety accident was a result of its non-compliance with the general contractor's health and safety management procedures.

Subcontracting fees: Our labour subcontracting agreements are generally prepared on a fixed total price basis. The fixed total price is generally determined based on the market price at the time of entering the subcontracting contract. The labour subcontracting fee is calculated with reference to the volume of actual work performed by the labour subcontractors, which will be adjusted during the course of the construction projects.

Payment terms: Our Group is generally required to make progress payments to the labour subcontractors on a monthly basis upon our checking and acceptance of the work completed by the labour subcontractors.

Specialised construction subcontracting

We engage specialised construction subcontractors from time to time to provide certain specialised construction services such as construction of sewage system, earthwork, steel structure, piling foundation work and fireproofing work. During the Track Record Period, the subcontracting costs attributable to specialised construction services amounted to approximately RMB217.0 million, RMB131.1 million, RMB167.6 million and RMB45.1 million, representing approximately 17.2%, 10.3%, 12.9% and 9.6% of our total cost of revenue, respectively.

Salient terms of typical subcontracting agreements with our specialised construction subcontractors

The terms of our subcontracting arrangements with specialised construction subcontractors may vary in accordance with the relevant contracts with our customers. Salient terms of typical subcontracting agreements with our specialised construction subcontractors are summarised below:

Responsibilities: Our subcontracting agreements stipulate the scope of works that the specialised construction subcontractors are expected to provide. The specialised construction subcontractors are generally responsible for the workers, construction materials, equipment and machinery necessary for the subcontracted works and meeting our project schedule.

Quality and safety: The specialised construction subcontractors are primarily responsible for complying with the quality and safety standards, conducting training to their workers and monitoring their adherence to the safety measures and procedures. In the event that the quality of work fails to meet the quality standards as required by us, relevant regulations or local governmental authorities, the specialised construction subcontractors are responsible for reworks and the associated costs. In general, most of our specialised construction subcontracting agreements provide that our specialised construction subcontractors are liable to safety accidents occurred during their construction work.

According to the relevant PRC laws and regulations, we, as the general contractor, and our specialised construction subcontractors are jointly liable for any safety accidents on the construction project. However, our specialised construction subcontractors shall hold the principal liability if the safety accident was a result of its non-compliance with the general contractor's health and safety management procedures.

Equipment and raw materials: Our specialised construction subcontractors are usually required to provide the equipment and raw materials used in their subcontracted work and the related costs are included in the subcontracting fees.

Subcontracting fees: Our specialised construction subcontracting agreements are generally prepared on a fixed unit price basis. The unit price is generally determined based on the market price at the time of entering the subcontracting contract. The specialised construction subcontracting fee is calculated with reference to the volume of actual work performed by the specialised construction subcontractors, which will be adjusted during the course of the construction projects.

Payment terms: Our Group is generally required to make progress payments to the specialised construction subcontractors upon our checking and acceptance of the work completed by the specialised construction subcontractors, with (i) 80% of the progress payment amount to be settled on a monthly basis or upon achieving certain key milestones; (ii) 97% of the total progress payment amount to be settled after the completion and certification of works; and (iii) 3% of the total progress payment amount to be retained by us as retention money and to be paid to the specialised construction subcontractors upon expiration of the defects liability period.

Prepayments for specialised construction subcontractors may be required based on the demand of raw materials for the projects and by negotiation.

Defects liability period: Our Group may require our construction subcontractors to provide a defects liability period ranging from 6 months to 5 years after the completion and certification of works. During the defects liability period, our specialised construction subcontractors are responsible for remedial works which may arise from the defective works.

Suppliers

Our suppliers include raw materials suppliers, equipment and machinery 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. 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. The following tables set forth basic information of our five largest suppliers during the Track Record Period:

For the year ended 31 December 2020

Rank	Supplier	Year of establishment	Registered capital	Principal business activities	Principal materials supplied/ services provided	Commencement year of business relationship	Credit terms	Payment methods	Purchase amount	Approximate percentage of our total purchase amount
									RMB'000	%
1	Supplier A	2013	RMB10.0 million	A private company principally engaged in labour subcontracting	Labour services	2019	Within 7 days from the invoice date	Bank remittance	171,866	13.6
2	Shenzhen Lvchuang Labour Service Co., Ltd.* (深圳市綠創勞務有限公司)	2018	RMB50.0 million	A private company principally engaged in labour subcontracting	Labour services	2018	Within 7 days from the invoice date	Bank remittance	69,976	5.6
3	Supplier B	2017	RMB10.0 million	A private company principally engaged in trading of steel products	Steel	2019	Within 7 days from the invoice date	Bank remittance	61,366	4.9
4	Supplier C	2016	RMB10.0 million	A private company principally engaged in trading of steel products	Steel	2019	Within 7 days from the invoice date	Bank remittance	31,303	2.5
5	Supplier D	2003	RMB25.0 million	A private company principally engaged in manufacturing and sale of concrete	Concrete	2020	Within 10 days from the invoice date	Bank remittance	29,235	2.3
								Five largest suppliers	363,746	28.9
								All other suppliers	896,638	71.1
								Total purchases	1,260,384	100.0

For the year ended 31 December 2021

Rank	Supplier	Year of establishment	Registered capital	Principal business activities	Principal materials supplied/ services provided	Commencement year of business relationship	Credit terms	Payment methods	Purchase amount	Approximate percentage of our total purchase amount
									RMB'000	%
1	Supplier A	2013	RMB10.0 million	A private company principally engaged in labour subcontracting	Labour services	2019	Within 7 days from the invoice date	Bank remittance	192,935	15.2
2	Supplier B	2017	RMB10.0 million	A private company principally engaged in trading of steel products	Steel	2019	Within 7 days from the invoice date	Bank remittance	48,552	3.8
3	Shenzhen Tower Industrial Co., Ltd.* (深圳市鐵塔實業有限公司)	2005	RMB100.0 million	A private company principally engaged in trading of steel products and other construction materials	Steel	2019	Within 1 month from the invoice date	Bank remittance	39,646	3.1
4	Supplier D	2003	RMB25.0 million	A private company principally engaged in manufacturing and sale of concrete	Concrete	2019	Within 10 days from the invoice date	Bank remittance	33,075	2.6
5	Shenzhen Lvchuang Labour Service Co., Ltd.* (深圳市綠創勞務有限公司)	2018	RMB50.0 million	A private company principally engaged in labour subcontracting	Labour services	2019	Within 7 days from the invoice date	Bank remittance	32,237	2.5
								Five largest suppliers	346,445	27.2
								All other suppliers	922,093	72.8
								Total purchases	1,268,538	100.0

For the year ended 31 December 2022

Rank	Supplier	Year of establishment	Registered capital	Principal business activities	Principal materials supplied/ services provided	Commencement year of business relationship	Credit terms	Payment methods	Purchase amount	Approximate percentage of our total purchase amount
									RMB'000	%
1.	深圳市中農建勞務工程有限公司 Supplier A	2013	RMB10.0 million	A private company principally engaged in labour subcontracting	Labour services	2019	Within 7 days from the invoice date	Bank remittance	97,578	7.5
2.	Shenzhen Hangshunxin Trading Co., Ltd.* (深圳市航順鑫貿易有限公司)	2007	RMB50.0 million	A private company principally engaged in trading of steel products and other construction materials	Steel	2021	Within 10 days from the date of invoice	Bank remittance	54,344	4.2
3.	Shenzhen Lvchuang Labour Service Co., Ltd.* (深圳市綠創勞務有限公司)	2018	RMB50.0 million	A private company principally engaged in labour subcontracting	Labour services	2019	Within 7 days from the invoice date	Bank remittance	42,143	3.3
4.	Supplier E	2020	RMB5.0 million	A private company principally engaged in trading of construction and decoration materials	Construction materials	2020	Within 15 days from the invoice date	Bank remittance	39,022	3.0
5.	Supplier F	2020	RMB80.0 million	A private company principally engaged in labour subcontracting	Labour services	2020	Within 14 days from the invoice date	Bank remittance	29,595	2.3
								Five largest suppliers	262,682	20.3
								All other suppliers	1,030,101	79.7
								Total purchases	1,292,783	100.0

For the six months ended 30 June 2023

Rank	Supplier	Year of establishment	Registered capital	Principal business activities	Principal materials supplied/ services provided	Commencement year of business relationship	Credit terms	Payment methods	Purchase amount	Approximate percentage of our total purchase amount
									RMB'000	%
1.	Supplier F	2020	RMB80.0 million	A private company principally engaged in labour subcontracting	Labour services	2020	Within 14 days from the invoice date	Bank remittance	28,355	6.1
2.	Supplier G	2019	RMB20.0 million	A private company principally engaged in trading of steel products and other construction materials	Steel	2022	Within 15 days from the invoice date	Bank remittance	23,897	5.1
3.	Shanwei Yifeng Light Steel Structure Co., Ltd.* (汕尾市藝鋒輕鋼結構有限公司)	2021	RMB5.0 million	A private company principally engaged in trading of steel products and other construction materials	Steel	2023	Within 7 days from the invoice date	Bank remittance	20,971	4.5
4.	Supplier I	2018	RMB30.0 million	A private company principally engaged in labour subcontracting	Labour services	2019	Within 7 days from the invoice date	Bank remittance	20,808	4.5
5.	Supplier A	2013	RMB10.0 million	A private company principally engaged in labour subcontracting	Labour services	2019	Within 7 days from the invoice date	Bank remittance	15,091	3.2
								Five largest suppliers	109,122	23.4
								All other suppliers	356,943	76.6
								Total purchases	466,065	100.0

To the best knowledge of our Directors, all of the five largest suppliers of our Group during the Track Record Period are Independent Third Parties, and none of our Directors, or their respective close associates or any Shareholders, who to the best knowledge of our Directors own more than 5% of the issued Shares immediately after completion of the [REDACTED] and the Capitalisation Issue, has any interests in any of such five largest suppliers.

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, 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 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 the 31 December 2022, 45 of our construction 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.

As at the Latest Practicable Date, we were closely monitoring the development of COVID-19 in China. There remains significant uncertainties associated with COVID-19 pandemic, including the severity and duration of the pandemic and further actions that may be taken by governmental authorities around the world to contain the virus, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. 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. Our Directors have carried out a holistic review of the impact of COVID-19 on our operations, and confirmed that, based on the measures imposed by the central and local governments of the PRC as at the Latest Practicable Date, COVID-19 is not expected to bring any permanent or material impact to our business operation and financial performance.

QUALITY CONTROL AND MANAGEMENT

We endeavour to deliver quality services to our customers, Our Group have maintained the ISO 9001 quality management system certification throughout the Track Record Period. Our project management team, supported by our engineering department, is responsible for quality management and overseeing the quality of works of our construction projects. Our Directors believe that the provision of timely, safe and quality construction services is crucial to the reputation and success of our Group. As such, we have implemented rigorous quality control procedures and kept relevant reports and records covering all aspects and stages of the construction project lifecycle, from selection of suppliers and services providers, procurement of raw materials, implementation to project completion.

Set forth below is a summary of our key quality control measures:

Inspection of raw materials

We inspect incoming raw materials to ensure they meet our project requirements, technical specifications, and applicable national and/or industrial quality standards. Our Group typically inspects the product certificates and/or quality assaying reports of such raw materials and undertake sampling and testing of certain raw materials to ensure their quality before utilising in our construction projects. Raw materials that are defective or do not meet our requirements, specifications or standards will be returned to suppliers.

Subcontractors

We require subcontractors to abide by our quality control measures and meet our quality standards during the course of their performance in our construction projects. Please refer to the paragraph headed "Subcontracting" in this section for further details.

Internal records

We have established project management and control procedures and conduct construction works in accordance with such procedures to ensure that we comply with the construction contract requirements as well as the applicable PRC legal requirements. Our project management team is required to keep the relevant reports and records during construction process to document construction progress, inspection results, quality and issues for internal records and external submissions to independent qualified laboratories or institutions and the relevant government authorities.

Quality control of projects

Our project management team closely monitors the project quality control throughout the construction projects to ensure timely and satisfactory completion. After the completion of our projects but before our customers accept the finished project, we will internally conduct quality and safety inspections to ensure that all works comply with the contractual specifications and technical specifications.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issues or receive any material complaints from our customers about the quality of our construction projects.

SOCIAL MATTERS

Occupational health and safety

Owing to the inherent dangers of the construction industry, our business operations are subject to certain PRC laws and regulations relating to occupational health and work safety, such as Work Safety Law of the PRC (中華人民共和國安全生產法), Regulations on the Administration of Work Safety of Construction Projects* (建築工程安全生產管理條例), Regulation on Work Safety Licenses (安全生產許可證條例) and Provisions on the Administration of Construction Enterprises' Work Safety Permits* (建築施工企業安全生產許可證管理規定). Our Group is committed to ensure the compliance with such laws and regulations in the PRC and to provide a safe and healthy working environment for our employees and workers.

We have put in place work safety and prevention measures to minimise the occurrence of industrial accidents and construction risks. We have obtained the Occupational Health and Safety Management System certification in compliance with GB/T45001-2020/13045001:2018 standards and our Group possesses the Work Safety Permit (安全生產許可證) issued by the GHURD. Mr. Wong Xuguang (王旭光), one of our senior management members, is responsible for developing and overseeing our occupational health and safety policies and to ensure we comply with national standard, and the respective project managers of our construction projects are responsible for monitoring and supervising the implementation of work safety measures throughout the project lifecycle.

Fatal accident relating to our specialised construction subcontractor

In November 2020, a fatal accident occurred at the construction site of a municipal and public project of which we served as a general contractor and engaged a specialised construction subcontractor to provide façade renovation services. The specialised construction subcontractor employed the deceased worker who fell to death accidentally when painting an exterior wall of a 6-storey building. The relevant government authority, after investigation, found that the deceased worker did not wear sufficient protective gear and fasten his safety belt properly due to his personal factor, such as awareness of safety, notwithstanding that protective gear and safety training had been provided to the deceased worker, and the specialised construction subcontractor failed to set a proper façade scaffolding to ensure work safety due to managerial oversight. The specialised construction subcontractor and its responsible personnel were found to have violated the Work Safety Law of the PRC and were subject to administrative penalty. According to the investigation report of the relevant government authority, our Group was not involved in nor responsible for the accident. We had adopted a safety management system at the time of the accident which include the safety management measures of the subcontractors such as checking the work safety compliance history of the subcontractors before engaging them, establishing work safety policies for the subcontractors, providing safety training to the workers of the subcontractors, and inspecting the implementation of safety measures before the commencement of work. Our safety officer had provided safety training to site workers, including the deceased worker, and provided the site workers with the necessary personal protective and safety equipment, including safety belt and helmet, before the accident. During the construction process, our safety officer conducted safety inspections at the construction site, required the subcontractors to timely rectify any safety deficiencies and followed up on the implementation of rectification. After the accident, we held a safety warning meeting with all the subcontractors of such project. To prevent recurrence of similar accident in the future, we had implemented enhanced safety management measures which include enhanced due diligence on the subcontractors, regular reporting system at both construction site level and management level for making timely decision, weekly inspection and rectification at the construction site.

As advised by our PRC Legal Advisers, administrative penalty was not imposed on the Group in relation to the accident. Our Directors confirm that, as at the Latest Practicable Date, no administrative penalty has been imposed by any government authority on our Group in relation to the accident. Based on the above, our Directors are of the view that the accident shall not have any adverse implication on our Group's compliance records and operation. Nevertheless, the risk control team of the Company has taken a prudent risk management approach and made a management decision to cease the business relationship with that subcontractors for any new projects since the occurrence of the incident. Having (i) reviewed the investigation report of the relevant government authority; (ii) reviewed the safety management measures implemented by us; (iii) the safety record of such project; (iv) reviewed the memorandum prepared by our management relating to the accident; and (iv) discussed with our PRC Legal Advisers on the legal liability of our Group, our Directors are of the view and the Sole Sponsor concurred that the incident was not caused by our Group's negligence or deficiencies in internal control.

Save as disclosed above, we had not encountered any other material accidents and fatalities or had been subject to any regulatory penalty or investigation in relation to workplace safety during the Track Record Period and up to the Latest Practicable Date.

Our three-tier occupational system

Due to the nature of the industry we operate in, we have inherently high occupational safety risks at construction sites. We place a high priority on occupational safety for our employees and have therefore established a three-tier occupational safety system.

1. *Standard Setting*

   - We have developed internal safety policies, such as the safety management protocol, which sets out our key requirements and standards for occupational safety.

   - We have systems in place that require our subcontractors to comply with our requirements and standards for occupational safety. Under our typical subcontracting agreement entered with our subcontractors, our subcontractors are primarily responsible for complying with the safety standards, conducting training to their workers and monitoring their adherence to the safety measures and procedures.

- Prior to the commencement of project works, we provide necessary and relevant work safety training and related testing to our employees and the workers of our subcontractors and obtain their confirmation of their understanding of the relevant safety standards.

2. *Specific Safety Protection Measures*

- We provide our employees and subcontractors' staff with the necessary work safety tools, such as helmets and safety harnesses before the project work begins.

- We inspect the necessary safety facilities and measures of our Group or subcontractors during the project, and issue inspection and follow-up reports regularly.

- We conduct higher level or relatively more independent site inspection or thematic inspections for larger or higher risk projects and closely monitor the progress of the project, including engineering safety issues, and issues inspection and follow-up reports.

3. *Incident Reporting*

- Our project managers must report any serious incidents, including safety-related issues, to the risk control team within 24 hours of occurrence.

We believe that our health and safety controls are effective and adequate and comply with applicable national and local health and safety laws and regulations in the PRC. Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents* (生產安全事故報告和調查處理條例), issued by the State Council on 9 April 2007 and effective on 1 June 2007, reportable construction accidents are divided into four categories: (i) particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million; (ii) significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million; (iii) relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and (iv) general accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million. For details, please refer to the section headed "Regulatory overview — Construction safety — Work safety accidents regulations" in this document. During the Track Record Period, our Group did not have any reportable accidents within the aforesaid four categories of accidents. As a result, our reportable accident rate and related lost time injury frequency rate for the Track Record Period were nil and nil, respectively. Accident rate is referred to the number of accidents divided by the gross number of workers (inclusive of workers employed through our labour subcontractors). Lost time injury frequency rate is referred to the number of loss time (by days) caused by the injuries divided by the gross number of work time (by days). According to the Frost and Sullivan Report, it is not uncommon in the industry to use the four categories of accidents as defined in the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents* (生產安全事故報告和調查處理條例) to calculate the reportable accident rate and lost time injury frequency rate.

Staff Diversity and Workplace Equality

Our Group places a high priority on diversity of talent, including gender diversity.

As at 30 June 2023, the total number of employees of our Group was 187, with approximately 73.3% belonging to the age group of 30–50 years old. The gender ratio of our Group (female: male) at the full-time employee level is: 18.7%: 81.2%, respectively.

The Board believes that the gender ratio is consistent with the characteristics of our industry and the attributes of labour supply. We have adopted policies on compensation and dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. Our Group respects the gender, age and ethnicity of each person. Each job applicant has an equal job opportunity. We always strive to achieve a fair workplace where we treat all employees fairly and protect them from any discrimination of age, race, gender, or religious background. Further, any promotion within our Group would be based solely on the employee's performance, experience and capability. As such, any factors not related to work would not have an impact on employee's promotion. As to board diversity, please refer to the section headed "Directors and senior management — Board diversity policy".

Anti-corruption and whistle-blowing policy

Our Company highly values ethical standards and has therefore established a three-tier anti-corruption system.

1. At the policy level, we have developed an internal for our employees and a for our strategic suppliers, which stipulates our zero tolerance for bribery and embezzlement.

2. At the monitoring level, the Board has instructed internal audit and legal department to include anti-fraud risks, including anti-corruption risks, in its internal audit plan.

3. At the reporting mechanism level, we have established a whistleblower policy. Our whistleblower mechanism is an independent reporting channel that accepts anonymous reports, has provisions to protect good faith whistleblowers from discrimination or retaliation, and is managed directly by our Audit Committee. We will make our whistleblower policy available on our website for all stakeholders to review.

ENVIRONMENTAL MATTERS

We are subject to a number of environmental laws and regulations in the PRC including, among others, the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國噪聲污染防治法) and Law on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法). Please refer to the section headed "Regulatory overview" in this document for further details.

During the Track Record Period and up to the Latest Practicable Date, we have maintained the Environmental Management System Certification in compliance with GB/T24001-2016/13014001:2015 standards. We are committed to minimising any adverse impact on the environment resulting from our business activities and in order to ensure our compliance with the relevant laws and regulations in the PRC, we have established and implemented, among others, the following environmental protection measures:

Greenhouse gas emissions and exhaust emissions

Our Group has two main sources of direct greenhouse gas emissions, namely electricity consumption and diesel consumption in projects.

During the course of a project, we typically uses electricity at the construction site through the customer's electrical system for operating machinery and project workstations, etc. We promote green concepts and encourages employees to reduce energy consumption, including promoting electricity conservation (e.g. turning off lights in common areas during non-working hours) and minimising environmental impact.

Some of our projects obtain power supply through the use of diesel-fueled generators, so our gas emission intensity depends largely on the level of diesel fuel consumed to produce electricity at the sites primarily used for projects. Our Group has always used qualified diesel fuel.

Electricity is generally provided by the government-supervised power grid, so we have not experienced any difficulties in identifying suitable electricity supplies.

In measuring the consumption level, we take into consideration of the various consumption rate of our projects and the expected consumption rate of our subcontractors whose consumptions originate in our value chain, in accordance with the latest principles set out by the International Sustainability Standards Board.

Diesel Consumption

The consumption volumes of diesel are quantified and projected with reference to the output value of our projects are as follows:

	For the year ended 31 December			For the six months ended
	2020	**2021**	**2022**	**2023**
Total Volume (tonnes)	3,646.36	3,578.86	3,588.46	1,274.43
Volume (tonnes) per million of revenue	2.74	2.66	2.60	2.57

We have set quantitative targets for managing our diesel consumption at maintaining the volume (tonnes) per million of revenue at rate of 2.6 in year 2023 and 2024, and reducing it to 2.5 in 2025.

Electricity Consumption

The consumption volumes of electricity are quantified and projected with reference to the output value of projects are as follows:

	For the year ended 31 December			For the six months ended
	2020	**2021**	**2022**	**2023**
Total Volume (kWh)	4,652,456	4,652,456	4,652,456	1,809,129
Volume (kWh) per million of revenue	3,496	3,879	3,701	3,649

We have set quantitative targets for managing our electricity consumption at maintaining the volume (kWh) per million of revenue at rate of 3,700 in year 2023 and 2024, and reducing it to 3,600 in 2025.

Water Resources

We consume water to some extent during the course of our projects. At construction sites, water is used primarily for cleaning (e.g. trucks) and general use. Our projects generally do not involve the consumption of large amount of water for production and production of highly polluting wastewater. Water supplies are generally provided by government-supervised water systems, so we do not experience any difficulties in identifying suitable water resources.

Utilising wastewater filtration and sedimentation systems (e.g., sedimentation tanks) are utilised at construction sites to filter and sediment wastewater to an acceptable level and discharge the treated water to a suitable drainage system.

The consumption volumes of water are quantified and projected with reference to the output value of projects are as follows:

	For the year ended 31 December			For the six months ended
	2020	**2021**	**2022**	**2023**
Total Volume (cube)	176,552	178,543	183,121	58,161
Volume (cube) per million of revenue	118	121	123	117

We have set quantitative targets for managing our water consumption at maintaining the volume (cube) per million of revenue at rate of 120 in year 2023 and 2024, and reducing it to 115 in 2025.

For achieving the quantitative targets for diesel, electricity and water consumption, we undertake to implement the following initiatives:

(i) *ESG working team*

Discharge the duty of managing ESG matters to a group of management, as ESG working team, which shall execute our consumption saving measures, monitor the result and report to the Board regularly.

(ii) *Subcontractor selection*

Engage subcontractors with a clean environment record or certification, in a higher priority, to ensure the consumption saving practices are efficiently executed.

(iii) *Training*

Provide consumption saving training to our project team to ensure they are aware of latest consumption saving technique and technologies.

(iv) *Specific measures*

Direct the ESG working team to research and implement specific measures, such as use of better quality of diesel, regular maintenance of machinery to reduce inefficient consumption of diesel and related emission, and better work scheduling as to avoid unnecessary consumption of electricity.

Project noise control

At a construction site, the project management team has basic noise control equipment. In addition, our Group implements project noise control primarily by appropriately scheduling project works within the time periods allowed by law and more acceptable to the community. It is our policy that the levels of noise emission in decibels (dB) at construction sites are set at a limit of 70 dB during daytime and 55 dB during nighttime.

Considering the overall compliance status regarding noise control, our Directors are of the view that the level of noise emissions has been controlled under the abovesaid limits in material time during the Track Record Period and up to 30 June 2023. We undertake to continuing implement our policy and related noise emission control level in the future periods. The ESG working team will continue to monitor the related compliance status.

Solid and liquid waste

Our Group generates construction waste and wastewater during the course of our projects. Our Group has established internal waste management policy. A team led by a project manager to handle construction waste and wastewater in accordance with local construction waste management practices, including key procedures below:

- *For construction waste*

  Generally, our customers, as project owners, engage qualified environmental protection disposal companies to collect and dispose hazardous construction waste at the construction site. We have a practice of pulling our construction waste, mainly those remains or non-reusable of our non-hazardous raw materials to the designated areas. Our project managers at site are responsible for monitoring the process.

- *For wastewater*

  Utilising wastewater filtration and sedimentation systems (e.g., sedimentation tanks) are utilised at construction sites to filter and sediment wastewater to an acceptable level and discharge the treated water to a suitable drainage system.

The risk control team is responsible for overseeing overall compliance in this area.

Climate Change Impacts

In assessing the impact of climate change on our Group, the risk control team has taken into account the recommendations and methodology of the Financial Stability Board's ("**FSB**") Task Force on Climate-related Financial Disclosures ("**TCFD**") to assess the impact of climate change on the Group in terms of risks and opportunities. Our Group's impact on climate change is assessed in terms of (i) risks and (ii) opportunities.

(i) *Risk*

Based on TCFD's recommendations and methodology, our Group classifies climate change-related risks into two main categories: (a) physical risks related to the physical impacts of climate change and (b) transition risks which are associated with the transition to the low carbon economy.

Physical Risks: Physical risks that result from acute events or long-term chronic transitions and that have a financial impact on our Group.

Transition Risks: During the transition to a low carbon economy, there may be certain changes that may have impacts on our Group, mainly related to four key areas, namely policy and law, technology, markets and reputation.

On this basis, the risk control team considers the following specific factors related to climate change.

1. *Country and Industry Policies*

- "Annual Report on China's Policies and Actions to Address Climate Change 2020" issued by the Ministry of Ecology and Environment
- "14th Five-Year Plan" Construction Industry Development plan" issued by The Ministry of Housing and Urban-Rural Development

2. *Events and Incidents*

- Recent incidents apparently caused by climate change and their impact on our Group's business areas, such as the heavy rainfall events in China, especially in Henan Province, in 2021.

The risk control team believes that our Group has the following relevant climate change impacts and our Company's mitigation measures as listed in the table below.

Associated risk (by TCFD standards)		Impact of climate change on the Group	Potential level of impact	Mitigation Measures
Heavy rainfall events that are clearly caused by climate change	Physical Risk	Heavy rainfall (class 6 or above) will affect our client's project schedule or may to certain extend cause physical damage to the works at the construction site	Medium	Our Group has been monitoring the trends of physical risks and will further enhance monitoring and disclosure controls
	Physical Risk	Heavy rainfall may, to certain extend, affect the stability of our main material supply chain	Low	Our Group has been and will be maintaining a diversified supplier base to maintain a resilient level and to mitigate the impact
"14th Five-Year Plan" Construction Industry Development Plan	Transition Risk (Medium to Long Term)	Our major customers are governments, SOEs, and large developers, who may prefer green construction teams over time and as required by the national policy	Low	Our Group has been and will be maintaining valid environmental qualifications and will be devoting the necessary resources for obtaining newly required qualifications in the future

Associated risk (by TCFD standards)		Impact of climate change on the Group	Potential level of impact	Mitigation Measures
	Transition Risk (Medium to Long Term)	The relevant government bureau will be organising more inspection and tightening licensing conditions, it may affect the basis for our selection of suppliers	Low	Our Group has been and will be conducting effective supplier evaluation system, including the programme to monitor its key suppliers from an environmental perspective on a regular basis, no less than once a year

The risk control team believes that physical risks are inherent and that our Group cannot completely control this external and inherent impact of climate change. However, our Group is committed to monitoring and, where necessary, disclosing the impacts to the market through our disclosure systems, such as the weekly project reporting system at project level and the monthly management reporting system at Board level, for those acute events, such as heavy rainfall. However, the Board believes that transition risks, driven primarily by policy changes and market expectations, are more manageable and that there is a buffer time for our Group to adopt or adjust new procedures to address these changes.

(ii) *Opportunities*

Based on TCFD's recommendations, the risk control team also considered and categorised the following five broad categories of climate change-related opportunities:

1. resource efficiency and cost savings
2. adoption of low-emission energy
3. development of new products and services
4. access to new markets; and
5. building resilience in the supply chain.

The risk control team believes that, in the context of our Group, the opportunities for climate change impacts should have the following two refined areas. The risk control team has also assessed the status in which our Group can capture these opportunities.

1. Our Group has maintained and will continue to maintain a diversified supplier base in a way that our Company should have a stable competitive edge in building resilience in the supply chain.

2. Our Group has maintained and will continue to maintain relevant product quality assurance procedures and relevant environmental related certificates in a way our Company should have a stable competitive edge in the market that will tend to purchase from more environmentally friendly companies.

Supply Chain Management (Environmental aspects)

Our Group places great emphasis on the potential environmental and social risk management of its supply chain.

Our Group has adopted a rigorous and standardised sourcing system and supplier selection process, which includes regular assessment of suppliers' compliance with environmental, quality, social, corporate governance and business ethics standards through background checks and annual quality assessments. In this process, our Group's management generally evaluates suppliers' ESG-related qualifications, licenses and compliance records and prefers to select suppliers that do not commit significant violations or unethical behavior. We will consider terminating or not renewing relationships with companies or suppliers that may result in, or have resulted in, significant ESG impacts.

Our Group places a high priority on ethical standards and ESG awareness among its suppliers and has therefore established and distributed a supplier code of conduct to its more strategic suppliers and obtained their confirmation of understanding. We require our suppliers to meet our Group's expectations for human rights, anti-corruption and environmental protection.

During the Track Record Period, our cost of compliance with the applicable environmental protection laws, regulations and policies, which primarily consisted of construction waste disposal charges, amounted to approximately RMB264,200, RMB128,000, RMB25,000 and RMB138,000, respectively. Our Directors consider that our costs of environmental compliance have been and will continue to be consistent with our scale of operation, while we expect the increase in such costs would not have any material impact on our financial performance.

During the Track Record Period and up to the Latest Practicable Date, our Group was fined an aggregate of approximately RMB459,500 for various incidents arising from our construction operation, which constituted non-compliance with the relevant environment laws and regulations concerning water and soil conservation, wastewater discharge, noise and air pollution control. The relevant fines that we were subject to for each of such non-compliance incident ranged from RMB2,000 to RMB275,000. Notwithstanding that certain of such non-compliance incidents were committed by the subcontractors, we, as the general contractor, were liable for such non-compliance incidents. Under the standard subcontracting agreements, the subcontractors are required to comply with the relevant regulations regarding safe and civilised construction (安全文明生產) and shall be responsible for all injuries and/or monetary loss suffered by any third party in connection with the subcontractors' non-compliance. As at the Latest Practicable Date, all fines relating to the subcontractors' non-compliance have been fully paid by the relevant subcontractors.

We believe that we have adopted adequate measures to minimise wastage and pollution during our work process and such measures are in line with the industry practices and in accordance with the applicable environmental protection laws, regulations and standards. As advised by our PRC Legal Advisers, save as disclosed above, we had no administrative penalty in relation to material non-compliance or violations of environmental protection laws and regulations that would materially or adversely affect our business operations and financial condition. Our Directors confirmed that we had not been subject to any material claim or penalty in relation to environmental protection during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain insurance policies that are required under the relevant PRC laws and regulations as well as policies based on our assessment of our operational needs and industry practice. We are required by PRC social security laws and regulations to maintain mandatory social insurance policies for our employees and make contributions to mandatory social insurance fund for our employees. We also procure necessary insurance for our projects (the "**Project Insurance**") in accordance with the applicable PRC laws and regulations and the requirements set out in the tender documents and contracts with reference to the associated risks of the projects.

We procure our Project Insurance directly from qualified insurance companies, mainly include work safety liability insurance, contractors' all risks insurance and construction accident insurance. For contract fulfilment related insurance, namely the contract fulfilment security deposit, the Company takes a common industry adoption by making use of letter of guarantee issued by guaranteed companies to cover the related liabilities while lessening the cash flow burden.

Our Directors believe that the current insurance policies taken out by us provide efficient coverage of the risks to which we may be exposed and are in line with industry practice. During the Track Record Period, our total insurance expenses amounted to approximately RMB2.0 million, RMB2.7 million, RMB2.1 million and RMB0.9 million, respectively. For details regarding with associated risks of the coverage of our insurance policies, please refer to the section headed "Risk factors — Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation and our insurance expenses may increase from time to time".

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material insurance disputes nor did we make or were the subject of any material insurance claims.

INTELLECTUAL PROPERTY

We rely on a combination of patents, copyrights, trademarks and domain name registrations to establish and protect our intellectual property rights. As at the Latest Practicable Date, we have registered 42 patents, 20 software copyrights, five trademarks and two domain names, and five patents and one trademarks pending registration in the PRC and one registered trademark in Hong Kong. For further details of our material intellectual property rights, please refer to the paragraph headed "Further information about the business of our Company — 2. Intellectual property rights" in Appendix IV to this document.

During the Track Record Period and up to the Latest Practicable Date, no material claim or dispute was brought against our Group in relation to any infringement of intellectual property rights. Our Directors are not aware of any use by any third party of our intellectual properties and believe that there has been no infringement of our intellectual property rights that would result in a significant potential impact to our business.

RESEARCH AND DEVELOPMENT

We do not have a research and development department nor incurred any research expenses during Track Record Period and up to the Latest Practicable Date.

MARKET AND COMPETITION

For details of the competitive landscape, entry barriers and overview of the construction industry in the PRC in which our Group operates, please refer to the section headed "Industry overview" in this document.

In view of the competition in the markets and industries in which we were involved, our Directors believe that our competitive strengths have contributed to the success of our Group and under the management of our Directors and senior management, our Group is well positioned to capture the growing demand in the construction industry in the PRC. For further details of our competitive strengths, please refer to paragraphs headed "Our strengths" in this section.

EMPLOYEES

As at the 30 June 2023, our Group has 187 employees in total, all of them are located in the PRC. The following table sets forth the number of our Group's employees by job functions:

Functions	Number of employees
General management	2
Commerce	30
Engineering	132
Technical	7
Finance	9
Internal audit and legal	1
Human resources and administration	6
Total	187

We generally recruit our employees from the open market by placing recruitment advertisements. We offer competitive remuneration packages to our employees. We provide training courses for our staff to ensure their competence and to keep them abreast of the latest developments and best practices in the industry to enhance their work performance. For the Track Record Period, our total staff costs were approximately RMB14.4 million, RMB17.7 million, RMB22.2 million and RMB9.8 million, respectively.

Our Directors consider that we have maintained good relationships with our employees. We have not experienced any significant problems with our employees or any disruptions to our operations due to labour disputes nor have we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and as at the Latest Practicable Date.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, our Group did not own any land use rights and properties.

During the six months ended 30 June 2023, our Group entered into a purchase agreement whereby our Group agrees to acquire a commercial property in Guangming District in Shenzhen for a cash consideration of approximately RMB42.1 million. A prepayment of approximately RMB8.4 million was made pursuant to the terms of the purchase agreement, and the remaining consideration is expected to be made before December 2023.

Leased Properties

As at the Latest Practicable Date, we leased and occupied 17 properties in the PRC with an aggregate gross floor area of approximately 1,578 sq.m. from Independent Third Parties, which were primarily used for our office purposes. The leases generally have a term ranging from one year to three years. As at the Latest Practicable Date, for five of our leased properties, we have not been provided by the lessors with the relevant ownership certificates or any other documentation proving their right to lease those properties to us. For details, please refer to the section headed "Risk factors — Risks relating to our business and industry — Risks relating to our business — We may face challenges by third parties with respect to property ownership, which may expose us to potential financial loss and negatively affect our ability to use the properties that we lease".

As at the Latest Practicable Date, we used all of its leased properties as offices. Having considered our use of the leased properties without the relevant ownership certificates or any other documentation proving lessors' right to lease those properties to us and our business mainly operates at the construction site, we consider that (i) insignificant time will be required to identify alternative properties at comparable costs; (ii) the relocation costs would be immaterial; and (iii) there would not be any material disruption to our business, if our leases are invalidated as a result of the lack of ownership certificates.

The following table sets forth the summary of the major properties leased by us as at the Latest Practicable Date:

No.	Location	Usage	Term	Tenancy period	Monthly rent	Approximate gross floor area
						(sq.m.)
1.	Suite 1703–1706, Tower A, Jiangsu Building, 6013 Yitian Road, Futian District, Shenzhen	Office	2 years	16 December 2022 – 15 December 2024	RMB84,000 for the first year RMB86,520 for the second year	800.00
2.	Nos. 615–616, Block 2, Nam Tai Inno Park, the southeast side of the intersection of Guangming Avenue and Dongchang Road, Guangming District, Shenzhen	Office	3 years	17 May 2021 – 16 May 2024	RMB9,035 – RMB19,922 *(Note)*	347.49

Note: Monthly rent was approximately RMB9,035 from 17 May 2021 to 31 December 2021 and approximately RMB18,069 from 1 January 2022 to 16 May 2022, and an annual increment of 5.0% starting from the second year.

Property valuation report

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

LICENCES, QUALIFICATIONS AND PERMITS

Licences, qualifications and permits are required for our Group to carry out our operations and undertake a variety of construction projects in the PRC. Please refer to the section headed "Regulatory Overview — Qualifications" of this document for further details. Our PRC Legal Advisers advised that during the Track Record Period and up to the Latest Practicable Date, we have obtained the requisite licences, qualifications and permits from the relevant PRC regulatory authorities for our operations in all material respects. These qualifications enable us to undertake a variety of construction projects.

The following table sets forth our material operating licences, qualifications and permits as at the Latest Practicable Date:

No.	Name of licences/ qualifications and permits	Scope of qualification	Authorised scope	Holder	Issuing authority	Effective period
1.	Certificate of qualification for enterprises in the construction industry (建築業企業資質證書)	First-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包一級)	Undertaking all types of municipal public works construction.	Zhongshen Jianye	GHURD	22 March 2022– 31 December 2023
		First-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包一級)	Undertaking all types of foundation construction.			
		First-grade qualification in building electrical and mechanical installation construction specialised contracting (建築機電安裝工程專業承包一級)	Undertaking the following construction works: 1. installation of equipment, circuits and pipelines of all types of construction. 2. substation engineering with not exceeding 35kV. 3. production and installation of non-standard steel structural parts.			
		Second-grade qualification in petrochemical engineering construction general contracting (石油化工工程施工總承包二級)	1. Undertaking small and medium sized petrochemical construction. 2. Inspection and maintenance of all types of petrochemical works.			
		Qualification in special engineering (structural reinforcement) specialised contracting (with no grading system) (特種工程(結構補強)專業承包不分等級)	Undertaking the construction work for respective specialised projects. Special engineering refers to the rectification and translation of buildings, structural reinforcement, special equipment lifting and hoisting, and special lightning protection projects.			

No.	Name of licences/ qualifications and permits	Scope of qualification	Authorised scope	Holder	Issuing authority	Effective period
		First-grade qualification in building construction general contracting (建築工程施工總承包一級)	Undertaking the following construction works with individual contract value exceeding RMB30.0 million: 1. industrial and residential buildings with a height not exceeding 200 metres. 2. structures with a height not exceeding 240 metres.			
		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)	Undertaking all types of renovation works and their ancillary works.			
2.	Certificate of qualification for enterprises in the construction industry (建築業企業資質證書)	Third-grade qualification in environmental protection construction specialised contracting (環保工程專業承包三級)	Undertaking the small and medium sized environmental protection projects for pollution restoration projects and domestic waste disposal projects.	Zhongshen Jianye	SZHCB	24 March 2022– 31 December 2023
		Third-grade qualification in city and road lighting construction specialised contracting (城市及道路照明工程專業承包三級)	Undertaking all types of urban and street lighting projects with individual contract value not exceeding RMB6.0 million.			
		Second-grade qualification in fire proofing equipment construction specialised contracting (消防設施工程專業承包二級)	Undertaking the following fire proofing equipment construction works with a gross floor area not exceeding 50,000 sq.m.: 1. civil buildings other than Class I high-rise civil buildings 2. factory, warehouse, storage tank and yard with fire hazard class C or lower.			
		Second-grade qualification in curtain wall construction specialised contracting (建築幕牆工程專業承包二級)	Undertaking curtain wall construction works with a gross area not exceeding 8,000 sq.m.			
		Third-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包三級)	Undertaking the following steel structure construction works: 1. steel structures with a height not exceeding 60 metres. 2. single span of the steel structure with a height not exceeding 30 metres. 3. span of the short side of the reticulated shell and the grid structure with a height not exceeding 33 metres. 4. an individual steel structure with a total weight not exceeding 3,000 tons. 5. an individual steel structure with a gross floor area not exceeding 15,000 sq.m.			
3.	Certificate of qualification for construction supervision (工程監理資質證書)	Grade A qualification in municipal and public project supervision (市政公用工程監理甲級)	Undertaking the engineering supervision business of all municipal and public construction projects.	Zhongshen Jianye	GHURD	22 November 2021– 22 November 2026
		Grade A qualification in building engineering project supervision (房屋建築工程監理甲級)	Undertaking the engineering supervision business of all building construction projects.			
4.	Work safety permit (安全生產許可證)	Construction works (建築施工)	Undertaking construction.	Zhongshen Jianye	GHURD	29 September 2020– 29 September 2023
5.	Installation (repair, test) power facilities permit (承裝(修、試)電力設施許可證)	Class five of installation category (承裝類五級)	Installation of power facilities with voltage levels not exceeding 10 kV.	Zhongshen Jianye	The South China Energy Regulatory Office of National Energy Administration (國家能源局南方監管局)	7 December 2020– 6 December 2026
		Class five of repair category (承修類五級)	Repair and maintenance of power facilities with voltage levels not exceeding 10 kV.			

With respect to the licences/permits that will expire in 2023, we will renew such licences/ permits with the relevant government authorities prior to their expiration. As advised by our PRC Legal Advisers, there is no legal impediment to renewing the licences/permits so long as we meet the applicable requirements and conditions and adhere to the procedures set forth in the relevant laws and regulations as required by the relevant government authorities.

CERTIFICATIONS

The following table sets forth certain certifications with respect to quality control as at the Latest Practicable Date:

No.	Name of certificate	Certification	Awarding organisation or authority	Holder	Effective period
1.	Quality Management System Certificate (質量管理體系認證證書) Scope of certification: The construction of construction projects, municipal public works foundation works and construction electromechanical installation projects, construction decoration and decoration works with the scope (資質範圍內的建築工程、市政公用工程、地基基礎工程、建築電安裝工程、建築裝修裝飾工程的施工)	GB/T19001-2016/ISO9001:2015 GB/T50430-2017	Beijing Xingguo Global Certification Co., Ltd. (北京興國環球認證有限公司)	Zhongshen Jianye	10 January 2023 – 9 January 2026
2.	Quality Management System Certificate (質量管理體系認證證書) Scope of certification: Supervision of municipal public works within the scope of qualification (資質範圍內的市政公用工程監理)	GB/T19001-2016/ISO9001:2015	Beijing Xingguo Global Certification Co., Ltd. (北京興國環球認證有限公司)	Zhongshen Jianye	10 January 2023 – 9 January 2026
3.	Occupational Health & Safety Management System Certificate (職業健康安全管理體系認證證書)	GB/T45001-2020/ISO45001:2018	Beijing Xingguo Global Certification Co., Ltd. (北京興國環球認證有限公司)	Zhongshen Jianye	10 January 2023 – 9 January 2026
4.	Environmental Management System Certificate (環境管理體系認證證書)	GB/T24001-2016/ISO14001:2015	Beijing Xingguo Global Certification Co., Ltd. (北京興國環球認證有限公司)	Zhongshen Jianye	10 January 2023 – 9 January 2026

AWARDS AND ACCREDITATIONS

The following table sets forth the major awards and recognitions received by our Group during the Track Record Period:

No.	Recognitions and awards	Project name	Awarding organization or authority	Year of grant
1.	2019 Guangdong Province Contract abiding and Trustworthiness Enterprise* (2019年度廣東省"守合同重信用"企業)	N/A	Shenzhen Administration for Market Regulation (深圳市市場監督管理局)	2020
2.	2019 "A" Credit Enterprise (Supreme and Class I of General Contracting for Housing Construction Group)* (2019年度房建一組 (房建施工總承包特級、一級) A信用企業)	N/A	Shenzhen Construction Industry Association (深圳建築業協會)	2020
3.	"AAA" Credit Enterprise ("AAA"信用企業)	N/A	China Construction Industry Association (中國建築業協會)	2020
4.	2020 Top 500 Enterprises in Shenzhen (2020深圳500強企業)	N/A	Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會)	2020
5.	2020 Shenzhen Business Anti-epidemic Pioneer Enterprise* (2020深商抗疫先鋒企業)	N/A	Federation of Shenzhen Commerce (深商總會), Shenzhen General Chamber of Commerce (深圳市商業聯合會), Shenzhen Time-Honored Brand Association (深圳市老字號協會) and Shenzhen Small and Medium-sized Enterprises Services Union (深圳市中小企業公共服務聯盟)	2020
6.	2020 (First Half) Yangjiang City Housing and Municipal Engineering Safety Production Civilised Construction Demonstration Site* (2020年度上半年陽江市房屋市政工程安全生產文明施工示範工地)	Zhuhai (Yangjiang) Co-construction Park Jingang Avenue Municipal Supporting Project (Drainage Project)* (珠海(陽江)合作共建園區金港大道市政配套工程(排水工程))	Yangjiang Construction Industry Association (陽江市建築業協會)	2020

No.	Recognitions and awards	Project name	Awarding organization or authority	Year of grant
7.	2020 (Second Half) Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award* (2020年度下半年深圳市建設工程安全生產與文明施工優良工地獎)	Kaixuan Mansion (East Gate)* (凱旋府 (東地塊))	Shenzhen Construction Industry Association (深圳建築業協會)	2020
8.	2020 (Second Half) Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award* (2020年度下半年深圳市建設工程安全生產與文明施工優良工地獎)	Pingshan District Center for Disease Control and Prevention Project* (坪山區疾病預防控制中心項目)	Shenzhen Construction Industry Association (深圳建築業協會)	2020
9.	2020 (Second Half) Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award* (2020年度下半年深圳市建設工程安全生產與文明施工優良工地獎)	#1 to #7 Buildings of Gongyi Country Garden Phase III* (鞏義碧桂園三期1#-7#樓)	Shenzhen Construction Industry Association (深圳建築業協會)	2020
10.	2020 (Second Half) Shenzhen Quality Structural Engineering Award* (2020年度下半年深圳市優質結構工程獎)	Kaixuan Mansion (East Gate)* (凱旋府 (東地塊))	Shenzhen Construction Industry Association (深圳建築業協會)	2021
11.	2020 (Second Half) Shangqiu Construction Engineering Safety Civilisation Standardisation Demonstration Site* (2020年下半年度商丘市建築工程安全文明標準化示範工地)	Minquan Country Garden Phase III* (民權縣碧桂園三期)	Shangqiu Housing and Urban-Rural Development Bureau* (商丘市住房和城鄉建設局)	2021
12.	Shangqiu Quality Structural Engineering Award* (商丘市優秀結構工程獎)	Tower nos. 15 and 16 Buildings of Minquan Country Garden Phase III* (民權碧桂園三期15#、16#樓)	Shangqiu Housing and Urban-Rural Development Bureau* (商丘市住房和城鄉建設局)	2021
13.	2021 (First Half) Henan Province Construction Engineering Quality Standardisation Demonstration Site* (2021年度上半年河南省建築工程質量標準化示範工地)	Minquan Country Garden Phase III* (民權縣碧桂園三期)	Henan Provincial Department of Housing and Urban-Rural Development* (河南省住房和城鄉建設廳)	2021
14.	2021 (Second Half) Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award* (2021年度下半年深圳市建設工程安全生產與文明施工優良工地獎)	Huanyinhu Reservoir Bidao of Luohu District* (羅湖區環銀湖水庫碧道建設工程)	Shenzhen Construction Industry Association (深圳建築業協會)	2021

No.	Recognitions and awards	Project name	Awarding organization or authority	Year of grant
15.	2021 Dongguan City Housing and Municipal Engineering Safety Production and Civilised Construction Demonstration Site* (2021年東莞市房屋市政工程安全生產文明施工示範工地)	Office Building No. 1, Xinqi Technology Industry Project* (新祺科技產業項目1號辦公樓)	Dongguan Construction Industry Association (東莞市建築業協會)	2021
16.	Guangdong Province Construction Industry "AAA" Credit Enterprise* (廣東省建築業AAA級信用企業)	N/A	Guangdong Province Construction Association* (廣東省建築業協會)	2021
17.	2021 Top 500 Enterprises in Shenzhen (2021深圳500強企業)	N/A	Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會)	2021
18.	2022 Guangdong Province Construction Engineering Excellent Structure Award* (2022年廣東省建設工程優質結構獎)	Basement No. 6, Factory Building No. 3, Office Building No. 1, Xinqi Technology Industry Project (新祺科技產業項目1號辦公樓、3號廠房、6號地下室工程)	Guangdong Province Construction Association (廣東省建築業協會)	2022
19.	Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award in the second half of 2022* (2022年下半年深圳市建設工程安全生產與文明施工優良工地獎)	Main Works of Fengjing Yufu Project (A520-0175) (峰境譽府項目(A520-0175)主體工程)	Shenzhen Construction Industry Association (深圳建築業協會)	2022
20.	Shenzhen Construction Engineering Safety Production and Civilised Construction Excellent Site Award in the second half of 2022* (2022年下半年深圳市建設工程安全生產與文明施工優良工地獎)	Municipal Reconstruction Project of Un-transferred Municipal Public Transportation (未移交市政管理公共道路市政化改造項目工程)	Shenzhen Construction Association (深圳建築業協會)	2022

No.	Recognitions and awards	Project name	Awarding organization or authority	Year of grant
21.	"AAA" grade in the Certificate of Honest Supplier (誠信供應商證書), Enterprise Credit Rating Certificate (企業信用等級證書), Service and Credit Certificate (重服務守信用證書), Certificate of Compliance with Contract (重合同守信用證書), Quality and Credit Certificate (重質量守信用證書), and Credit Rating Certificate (資信等級證書)	N/A	Yixu Credit Rating Limited* (宜旭信用有限公司)	2022
22.	"AAA" Integrity Management Demonstration Unit (AAA級誠信經營示範單位)	N/A	Yixu Credit Rating Limited* (宜旭信用有限公司)	2022
23.	2022 Top 500 Enterprises in Shenzhen (2022深圳500強企業)	N/A	Shenzhen Enterprise Confederation (深圳市企業聯合會) and the Shenzhen Entrepreneur Association (深圳市企業家協會)	2022
24.	Member Unit of Guangdong Construction Safety Association (Supreme Class/ First Class) in 2022* (廣東省建築安全協會會員單位(特級/一級))	N/A	Guangdong Construction Safety Association* (廣東省建築安全協會)	2022
25.	2022 Excellent Organisational Unit of the National Digital Computer Room Installation Skills Competition (Guangdong Provincial Regional Selection) of the National Industry Vocational Skills Competition* (2022年全國行業職業技能競賽—全國數字化機房安裝技能競賽(廣東省地區選拔賽)優秀組織單位)	N/A	Guangdong Construction Industry Association* (廣東省建築業協會)	2022
26.	Honest and High-quality Enterprise in the Construction Market of Luohu District, Shenzhen (General Contracting Group for Municipal Public Works Construction) in 2022* (2022年度深圳市羅湖區建築市場誠信優質企業(市政公用工程施工總承包組))	N/A	Shenzhen Luohu District Housing and Construction Bureau* (深圳市羅湖區住房和建設局)	2023
27.	2022 Top 10 Enterprises of Construction Industry Output Value in Guangming District* (2022年度光明區建築業產值十強企業)	N/A	Guangming District Housing and Construction Bureau* (光明區住房和建設局)	2023

No.	Recognitions and awards	Project name	Awarding organization or authority	Year of grant
28.	"AAA" Credit Enterprise (Supreme and Class 1 of General Contracting for Housing Construction) for Shenzhen Construction Enterprise Housing Construction Group in 2022* (2022年度深圳市建築施工企業房建一組(房建施工總承包特級、一級)AAA信用企業)	N/A	Shenzhen Construction Industry Association (深圳建築業協會)	2023
29.	2020 Top 100 Enterprises in the Comprehensive Competitiveness Evaluation of Shenzhen Construction Industry* (2020年度深圳市建築行業綜合競爭力評估百強企業)	N/A	Shenzhen Construction Industry Association (深圳建築業協會)	2023
30.	Guangdong Province Housing and Municipal Engineering Safety Production and Civilised Construction Demonstration Site, and Provincial Construction Project and Construction Safety Production Standardisation Site in the first half of 2023* (2023年上半年廣東省房屋市政工程安全生產文明施工示範工地、省建設工程項目施工安全生產標準化工地)	Main Works of Fengjing Yufu Project (A520-0175) (峰境譽府項目(A520-0175)主體工程)	Guangdong Province Construction Safety Association* (廣東省建築安全協會)	2023
31.	Vice President Unit* (副會長單位)	N/A	Guangming Construction Science & Technology Industry Promotion Association, Shenzhen (深圳市光明區建築科技產業促進會)	2023

LEGAL AND COMPLIANCE MATTERS

Litigation and claims

During the Track Record Period, we may from time to time subject to legal proceedings, investigations and claims arising in the ordinary course of our business.

As at the Latest Practicable Date, we were not a party to any material arbitration, litigation or administrative proceedings which could be expected to have a material adverse effect on our business or results of operations. We are not aware of any pending or threatened arbitration, litigation or administrative proceedings against us.

Non-compliance

Failure to make social insurance and housing provident fund contributions in full

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.

Reasons for the non-compliance

The non-compliance is mainly caused by (i) our finance department at the relevant time being not fully familiar with the relevant regulatory requirements and made the social insurance and housing provident fund contribution based on local minimum wages; and (ii) certain of our employees were unwilling to make such social insurance contributions.

Legal consequences including potential maximum penalty

As advised by our PRC Legal Advisers, from 1 July 2011, if an employer fails to pay its social insurance contribution in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法), the regulator may order it to pay the overdue amount within a prescribed time limit and impose an overdue fine equivalent to 0.05% of the overdue amount per day. If the employer still fails to pay within the prescribed time limit, the regulator may impose a fine of one to three times of the overdue amount. If an employer fails to pay its housing provident fund contributions in accordance with the Regulations on the Administration of Housing Provident Fund* (住房公積金管理條例), the regulator may order for payment of contribution within the prescribed time limit, failing which the regulator may apply to the People's Court of compulsory enforcement.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that:

(i) we have obtained a letter of confirmation from the Social Insurance Fund Administration Bureau of Shenzhen Municipality (深圳市社會保險基金管理局) dated 19 July 2022 confirming that we would not be required to pay the shortfalls with respect to social insurance and/or therefore subject to any penalty and we had not been penalised for violating the laws and regulations for social insurance. As advised by our PRC Legal Advisers, the Social Insurance Fund Administration Bureau of Shenzhen Municipality has the authority and is competent to make the aforesaid confirmation;

(ii) our PRC Legal Advisers interviewed Shenzhen Housing Provident Fund Management Center (深圳市住房公積金管理中心) on 27 May 2022 and obtained confirmation that we had not been penalised for violating the laws and regulations for housing provident fund since 1 January 2019. As advised by our PRC Legal Advisers, the Shenzhen Housing Provident Fund Management Center has the authority and is competent to make the aforesaid confirmation;

(iii) as at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls with respect to social insurance and housing provident funds;

(iv) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date;

(v) we were not aware of any material employee complaints nor were involved in any material labour disputes with our employees with respect to social insurance and housing provident funds;

(vi) our Controlling Shareholders have undertaken to fully indemnify our Group in respect of any damages, losses and liabilities arising out of or in connection with any of the non-compliance matters; and

(vii) we have made adequate provisions in the amount of approximately RMB0.6 million, RMB0.7 million, RMB0.1 million and nil, respectively, during the Track Record Period for the unpaid amount of housing provident fund contributions respectively.

Our PRC Legal Advisers are of the view that the possibility of Zhongshen Jianye being penalised by the Social Insurance Fund Administration Bureau of Shenzhen Municipality in relation to the social insurance is remote. Our PRC Legal Advisers are of the view that, if we have received any employee's demands for payment of housing provident fund contributions, or any notification from the relevant PRC authorities demanding payment of the same and we make the relevant payments within the prescribed time limit, the risk for being penalised by Shenzhen Housing Provident Fund Management Center in relation to the housing provident fund contributions is relatively lower.

Our Directors are of the view that, based on the above reasons, such non-compliance would not cause any material adverse financial and operational impact on us.

Indemnity given by our Controlling Shareholders

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to fully indemnify our Group in respect of any damages, losses and liabilities arising out of or in connection with any of the non-compliance matters detailed above or any claims and legal actions that may be brought against our Group in respect of any occurring up to the [REDACTED]. Further information of which is set out in the section headed "D. Other information — 1. Tax and other indemnities" in Appendix IV to this document.

INTERNAL CONTROL MEASURES

(a) Implementation of internal control measures over compliance issues

To ensure ongoing compliances with applicable laws and regulations upon the [REDACTED] and to prevent recurrence of non-compliance incidents in the future, our Group has implemented and adopted the following enhanced internal control measures:

New and Revised Internal Control Measures

Our Group has adopted the following remedial measures. Since March 2022, our Group has made sufficient social insurance and provident funds contributions for all its employees.

1. *Regular Regulatory Requirement Update*

   The legal department would be responsible for regularly reviewing and updating the management the latest requirement regarding social insurance and provident funds in accordance with Labour Law of the PRC (中華人民共和國勞動法), Social Insurance Law of the PRC (中華人民共和國社會保險法) and Regulations concerning the Administration of Housing Provident Fund* (住房公積金管理條例).

2. *Execution*

   The human resource department would be responsible for ensuring the monthly calculation and payment of social insurance and provident fund contributions are made in accordance with the latest regulation requirement.

3. *Oversight Reporting*

   Our finance manager would be responsible for updating the Board through monthly management report of key financial, compliance and operation information of the Group, including the ongoing compliance status regarding social insurance and provident funds.

4. *Independent Monitoring*

   The internal audit department would be responsible for reviewing the key controls and risks relating to social insurance and provident funds. The Board has instructed the Internal audit department to include such areas into the latest internal audit plan.

The Board believes these preventive, detective, and monitoring measures, performed by various management functions, are effective and adequate in remediating the issue and preventing the future occurrence of similar events.

(b) Internal control review by the internal control consultant

In December 2021, we engaged Moore Advisory Services Limited as our independent internal control consultant (the "**Internal Control Consultant**") to perform a comprehensive review of our Group's internal control system (the "**Internal Control Review**"). The scope of Internal Control Review performed by the Internal Control Consultant includes both (i) entity-level governance, such as governance structure and listing rules compliance control; and (ii) activities-level controls, covering key business processes of the Group, including but not limited to revenue and tendering and project management, revenue and trade receivables, procurement, subcontracting and accounts payable, human resource management, cash flow and treasury management, financial reporting and budgeting. The Directors are of the view that the scope has a reasonable coverage and commensurate with the business model, activities and risk level of the Group. The Internal Control Consultant has further conduct reviews (the "**Internal Control Expert Review**") with respect to the non-compliance incidents identified above. The Internal Control Consultant has made recommendations to the Management of the Company for the purpose of assisting the Group in (i) building a risk management and internal control system that can reasonably manage key risks encountered by the Group to a reasonable level; and (ii) establishing relevant policies and procedures that can reasonably prevent (inclusive timely detect) future occurrence of the said material non-compliance issue. The Internal Control Expert Review was conducted by the Internal Control Consultant regarding our Group's newly adopted policies and the implementation status of our improved internal control in relates to the non-compliance matters identified above. Save for the internal control issues relating to the above stated material non-compliance, the Internal Control Consultant did not identify any other material internal control weaknesses. The Group has also implemented remedial issues with reference to the recommendations made by the Internal Control Consultant and in accordance with the associated risk level. Our Group has adopted and implemented all of the major recommendations. The Internal Control Consultant had performed a follow-up review subsequently to review our Group's newly adopted policies and the implementation status of our improved internal controls. According to the result of the last follow-up review completed on 10 August 2023, all necessary key controls and newly adopted measures of our Group were effectively designed and implemented from their respective implementation dates up to 30 June 2023. After considering our remedial actions and results of the reviews by the Internal Control Consultant, our Directors are of the view that these enhanced internal control measures are adequate and effective under the Listing Rules to ensure ongoing compliance with the relevant laws and regulations by our Group. The Sole Sponsor, on similar basis as our Directors, concurs with our Directors' view.

RISK MANAGEMENT

Key risks relating to our business operation are set out in the section headed "Risk factors" in this document. The following sets out the key measures adopted by us under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operations:

Liquidity risk

Please refer to the section headed "Financial information — Financial risk management" of this document.

Credit risk

Please refer to the paragraph headed "Customers, sales and marketing — Credit policy and credit management" in this section and the section headed "Financial information — Financial risk management" in this document.

Risk of potential inaccurate cost estimation and cost overruns

Please refer to the paragraph headed "Customers, sales and marketing — Pricing policy" in this section.

Quality control risk

Please refer to the paragraph headed "Quality control and management" in this section.

Risk relating to performance of our subcontractors

Please refer to the paragraph headed "Raw materials, equipment and machinery, and subcontracting suppliers — Subcontracting" in this section.

Occupational health and safety risk

Please refer to the paragraph headed "Social matters — Occupational health and safety" in this section.

Environmental compliance risk

Please refer to the paragraph headed "Environmental matters" in this section.

Regulatory risk management

Anti-corruption and anti-bribery measures

We adopt a zero-tolerance approach to bribery and corruption and are committed to acting fairly and with integrity in all our business dealings and relationships wherever and whenever operate. In order to comply with the applicable laws and regulations in relation to anti-corruption and anti-bribery, we have established and implemented anti-corruption and anti-bribery policy and measures to prohibit all forms of bribery-and-corruption acts or intention of such acts, specifically summarised below:

i. soliciting or accepting any advantages from others as a reward for or inducement to doing any act in relation to our Group's business;

ii. offering any advantage to an agent of another as a reward for or inducement to doing any act in relation to the latter's business;

iii. offering any advantage to a government or public servant as a reward for or inducement to performing any act in his/her official capacity, or while having business dealings with the government department or public body he/she belongs to;

iv. our directors and staff soliciting or accepting advantages from persons having business dealings with them (e.g. suppliers and contractors); and

v. the offering of advantages to the directors/staff of other companies having business dealings with our Group.

The policy also sets out the approach of dealing with any potential conflicts of interest, the requirements of a company-wide anti-bribery-and-corruption training and disciplinary actions to be taken in situation of violation of the policy and/or relevant laws and regulations, including termination of employment/service and bringing forward to legal proceedings.

We have also put in place a whistle-blowing system which is overseen by the Audit Committee, serving as a deterrence and monitoring over fraud, misconduct, malpractices and noncompliance.

Corporate governance measures

We will comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. We have established three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. In particular, one of the primary duties of our Audit Committee is to review the effectiveness of our internal audit activities, internal controls and risk management systems and to develop and review our policies and practices on corporate governance. For further details of the three board committees, please refer to the section headed "Directors and senior management — Board committees" in this document. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code every financial year.

Risk management relating to compliance with the Listing Rules after [REDACTED]

In order to ensure continuous compliance with the Listing Rules after [REDACTED], our Directors attended training sessions conducted by our Hong Kong legal advisers, Cheung & Choy, on the ongoing obligations and duties of a director of a company whose shares are listed on the Stock Exchange. We have also appointed Kingsway Capital Limited as our compliance adviser to advise us on compliance issue.

After [REDACTED], our executive Directors will be responsible for overseeing our compliance issues. When considered necessary and appropriate, we will also seek professional advice and assistance from independent professional advisers with regards to matters relating to our legal compliance.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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.

Management, operational, administrative and financial independence of our Group

Our Directors consider that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates based on the following:

Management independence

Our Board comprises two executive Directors and three independent non-executive Directors. Mr. Sang, the Chairman of the Board and an executive Director, is one of our Controlling Shareholders and the sole director of Zhongshen Hengtai.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board. Apart from our Directors, we have our senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational, administrative and financial independence

Our Group has our own independent operational, administrative and corporate governance structure comprising separate individual departments, each with specific areas of responsibilities, including financial and accounting management, business development. During the Track Record Period, our Group was operationally and administratively independent of our Controlling Shareholders and their respective close associates as we have our own operational personnel and administrative personnel.

Our Board believes that we have been operating independently from our Controlling Shareholders and their respective close associates and will continue to do so after [REDACTED]. Our Group makes business decisions independently and have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates. Our Group has also established a set of internal control measures to facilitate the effective operations of its business. Our Group's top five customers and suppliers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or any of their respective close associates for access to suppliers and customers, as we manage our sourcing independently to whom we have independent access. Our Directors currently do not expect there will be transactions between our Group and our Controlling Shareholders following [REDACTED].

As at 30 June 2023, a balance of approximately RMB11.8 million in aggregate was due to Mr. Xian and Zhongshen Hengtai. All outstanding balance of amounts due to related parties will be capitalised to other reserves before [REDACTED]. Our Directors confirm that no guarantee was provided by our Controlling Shareholders as security for the due performance and observance of our Group's obligations under contracts as at the Latest Practicable Date. Our Directors also believe that we are able to obtain financing independently from our Controlling Shareholders and their respective close associates. During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems.

Based on the above, our Directors believe that our Group's business operation does not rely on our Controlling Shareholders and our Group is capable of operating independently without financial reliance on our Controlling Shareholders.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes, or may compete, directly or indirectly, with our Group's business which requires disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

(a) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;

(b) the Board is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section "Directors and senior management" in this document; and

(c) our Company has appointed Kingsway Capital Limited as the compliance adviser, which will provide advice and guidance to us in respect of compliance with the Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section "Directors and senior management — Compliance adviser" in this document for details in relation to the appointment of compliance adviser.

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of five Directors, including two executive Directors and three independent non-executive Directors. The table below sets out certain information in respect of the members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and our senior management
Mr. Sang Xianfeng (桑先鋒)	27	June 2017	2 February 2021	Chairman and executive Director	Responsible for our Group's strategic planning and supervision of implementation of our Group's policies	Mr. Sang Yongwei is the first cousin once removed of Mr. Sang Xianfeng (堂侄子).
Mr. Xian Yurong (冼玉榮)	37	June 2017	2 February 2021	Chief Executive Officer and executive Director	Responsible for our Group's strategic planning and supervision of implementation of our Group's policies	None
Ms. Liu Zhihong (劉志紅)	45	[●]	[●]	Independent non-executive Director	Supervising and providing independent opinion and judgement to our Board and serving as the chairlady of Audit Committee and a member of Remuneration Committee and Nomination Committee	None
Mr. Zeng Qingli (曾慶禮)	46	[●]	[●]	Independent non-executive Director	Supervising and providing independent opinion and judgement to our Board and serving as the chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee	None
Mr. Xie Huagang (謝華剛)	45	[●]	[●]	Independent non-executive Director	Supervising and providing independent opinion and judgement to our Board and serving as the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee	None

Executive Directors

Mr. Sang Xianfeng (桑先鋒), aged 27, is one of the co-founders of our Group. Mr. Sang is an executive Director and the Chairman of our Board, and he is mainly responsible for our Group's strategic planning and supervision of implementation of our Group's policies. He is a director of each of Zhongshen Technology, Zhongye Jiancai, Zhongshen Ecological, Zhongshen Xihe, Zhongshen Ximing, Lefu Capital and Zhongshen Jianye (Huizhou).

Mr. Sang graduated from Northeastern University in the PRC (東北大學) majoring in construction engineering technology (online education) (建築工程技術(網絡教育)專科學習) in July 2020. He completed a new practical real estate advanced strategy course* (新實戰型房地產高級戰略研修班) at Tsinghua Shenzhen International Graduate School (清華大學深圳國際研究生院) in August 2022.

Prior to joining our Group, Mr. Sang worked for Shenzhen Jianan Real Estate Engineering Co., Ltd.* (深圳建安置業工程有限公司), a company principally engaged in real estate development and construction, from April 2016 to May 2017 and he last served as a marketing manager mainly in charge of the day-to-day work of the operation department.

Immediately following completion of the [REDACTED] and the Capitalisation Issue, Mr. Sang will be interested in [REDACTED] Shares, representing approximately [REDACTED]% of the issued share capital of our Company within the meaning of Part XV of the SFO, all of which will be held by Zhongshen Hengtai, a company solely-owned by Mr. Sang.

Mr. Xian Yurong (冼玉榮), aged 37, is one of the co-founders of our Group. Mr. Xian is an executive Director and Chief Executive Officer of our Company, and he is mainly responsible for our Group's strategic planning and supervision of implementation of our Group's policies. He is also a director of each of Zhongshen Jianye, Zhongshen Xihe, Zhongshen Ximing, Lefu Capital Zhongshen Mingye, Zhongshen Jianye (Shenzhen), Zhongshen Jianye Construction Design (Shenzhen) and Zhongshen Jianye Project Management (Shenzhen).

Mr. Xian graduated from the Shantou Polytechnic (汕頭職業技術學院) majoring in construction engineering management (engineering budgeting) (建築工程管理(工程造價)專科學習) in July 2009 and obtained a bachelor's degree in civil engineering (online education) from the Huazhong University of Science and Technology (華中科技大學) in July 2016. He completed a new practical real estate advanced strategy course* (新實戰型房地產高級戰略研修班) at Tsinghua Shenzhen Graduate School (清華大學深圳研究生院) in August 2018. Since May 2020, Mr. Xian has been pursuing the business administration course for senior executives at Cheung Kong Graduate School of Business (長江商學院). He was awarded "The Fourth Top 100 New Generation Entrepreneurs in Shenzhen" (第四屆百名深圳新生代創業風雲人物) by Shenzhen Enterprise Confederation* (深圳市企業聯合會), Shenzhen Entrepreneur Association* (深圳市企業家協會), Shenzhen Press Group* (深圳報業集團) and Shenzhen Radio and Television Group Times Business Magazine* (深圳廣電集團《時代商家》雜誌社) in December 2021 and granted the Honest Entrepreneur Certificate by Yixu Credit Rating Limited* (宜旭信用評級有限公司) in May 2022.

Mr. Xian served as the vice president of Shenzhen Enterprise Confederation* (深圳市企業聯合會) and Shenzhen Entrepreneur Association* (深圳市企業家協會) from July 2020 to July 2021.

Prior to joining our Group, Mr. Xian served as a budget appraiser in Heyuan City Construction Engineering Co., Ltd.* (河源市城市建設工程有限公司), a company principally engaged in municipal and public works construction from July 2009 to June 2010 and was mainly responsible for conducting cost budgeting including performing estimates according to the construction drawing plans, compiling the construction cost control plan, calculating the construction cost and issuing a cost control summary upon completion. From October 2010 to March 2013, Mr. Xian served as a costs accounting specialist in Shenzhen Futian Jianan Construction Group Co., Ltd.* (深圳市福田建安建設集團有限公司), a company principally engaged in housing construction engineering and municipal and public works construction and was mainly responsible for conducting cost estimate and control, performing business liaison including liaising with the tenderer, carrying out on-site survey, preparing bidding documents and participating in business negotiations. From May 2013 to May 2017, Mr. Xian served as a deputy general manager at Shenzhen Jianan Real Estate Engineering Co., Ltd.* (深圳建安置業工程有限公司), a company principally engaged in real estate development and construction and was mainly responsible for daily operation management including leading in the development of a supplier database, compiling project construction costs, determining the target costs as well as conducting business negotiations based on set target values.

Immediately following completion of the [REDACTED] and the Capitalisation Issue, Mr. Xian will be interested in [REDACTED] Shares, representing approximately [REDACTED]% of the issued share capital of our Company within the meaning of Part XV of the SFO, all of which will be held by Zhongshen Chitai, a company solely-owned by Mr. Xian.

Independent non-executive Directors

Ms. Liu Zhihong (劉志紅) ("Ms. Liu"), aged 45, was appointed as an independent non-executive Director on [●]. She also serves as the chairlady of Audit Committee and a member of Remuneration Committee and Nomination Committee and is responsible for supervising and providing independent opinion and judgement to our Board. Ms. Liu obtained a master's degree in business administration in Peking University (北京大學) in January 2020. She is a member of The Chinese Institute of Certified Public Accountants. Since April 2021, Ms. Liu has been a senior wealth management manager at AIA Hong Kong, where she is primarily responsible for provision of professional financial services, wealth management and portfolio advice.

Ms. Liu has over 17 years of experience in the accounting sector. From July 2000 to March 2008, Ms. Liu worked at Beijing Shu Lun Pan Certified Public Accountants Co., Ltd. (北京立信會計師事務所有限公司) and her last position was a senior auditor. From March 2008 to December 2012, Ms. Liu worked at BDO Limited and her last position was an assistant manager. From October 2016 to March 2021, Ms. Liu worked as a financial controller at Tonking New Energy Group Holdings Limited (stock code: 8326), the shares of which were listed on GEM of the Stock Exchange. Since June 2023, she has been appointed as the independent non-executive director, chairlady of the audit committee, chairlady of the remuneration committee and member of the nomination committee of China Oil and Gas Group Limited (stock code:603), the issued shares of which are listed on Main Board of the Stock Exchange.

Mr. Zeng Qingli (曾慶禮) ("Mr. Zeng"), aged 46, was appointed as an independent non-executive Director on [●]. He also serves as the chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee and is responsible for supervising and providing independent opinion and judgement to our Board. Mr. Zeng obtained a bachelor's degree in laws (major in economic law) from the Henan Institute of Finance and Economics (now known as Henan University of Economics and Law) (河南財經政法大學(河南財經學院)) in July 2001. Mr. Zeng became a qualified lawyer in the PRC in June 2001.

Mr. Zeng has over 21 years of experience in the legal industry. From August 2002 to August 2011, Mr. Zeng served as a practicing lawyer focusing on the provision of legal services in the engineering and real estate sector at Guangdong Jiguang Law Firm* (廣東吉光律師事務所). Since September 2011, Mr. Zeng has been the principal lawyer (主任律師) at Guang Dong Ju Hang Law Firm* (廣東巨航律師事務所), where he is primarily responsible for the provision of legal services in the construction engineering sector.

Mr. Xie Huagang (謝華剛) ("Mr. Xie"), aged 45, was appointed as an independent non-executive Director on [●]. He also serves as the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee and is responsible for supervising and providing independent opinion and judgement to our Board. Mr. Xie obtained a bachelor's degree in civil engineering from the Jiaozuo Institute of Technology (焦作工學院) (now known as Henan Polytechnic University) (河南理工大學) in July 2003, a master's degree in engineering mechanics from the Henan Polytechnic University (河南理工大學) in June 2006 and a doctoral degree in engineering (geotechnical engineering) from the Hohai University (河海大學) in December 2011.

Mr. Xie has over 17 years of experience in the engineering education. Since August 2006, Mr. Xie has been the professor (master's supervisor) at the School of Civil Engineering, Tongling University (銅陵學院), where he is primarily responsible for teaching civil engineering related lectures and courses.

Save as disclosed above and in the section headed "Substantial Shareholders" in this document, each of our Directors confirms with respect to himself/herself that: (i) he/she has not held any directorships in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of our Company; (iii) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for him/her pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and (v) there are no other matters that need to be brought to the attention of holders of securities of our Company.

SENIOR MANAGEMENT

The table below sets out certain information in respect of the members of our senior management:

Name	Age	Date of first joining our Group	Current Position	Roles and responsibilities	Relationship with other Director(s) and our senior management
Mr. Guo Tengfei (郭騰飛)	36	July 2018	Financial manager	Responsible for the overall financial management of our Group	None
Mr. Wu Jianmin (吳堅民)	28	January 2018	Audit manager	Responsible for the overall accounting and audit matters of our Group	None
Mr. Zhang Lei (張磊)	41	November 2019	Operations manager	Responsible for the overall operation and management of our Group	None
Mr. Sang Yongwei (桑永威)	31	March 2021	Human resources and administrative manager	Responsible for the overall human resource and administrative management of our Group	Mr. Sang Yongwei is the first cousin once removed of Mr. Sang Xianfeng (堂侄子).
Mr. Wang Xuguang (王旭光)	48	July 2018	Engineering manager	Responsible for the overall project management construction matters of our Group	None
Mr. Liu Chuanwen (劉傳文)	52	July 2020	Senior engineer in technical department	Responsible for providing technical support and research and development and quality management for projects of our Group	None

Mr. Guo Tengfei (郭騰飛) ("Mr. Guo"), aged 36, first joined our Group in July 2018 and worked as financial manager till August 2019. He re-joined our Group in November 2020. He currently serves as the financial manager of Zhongshen Jianye and is mainly responsible for the overall financial management of our Group.

Mr. Guo graduated from the Kaifeng University (開封大學) majoring in computerised accounting (會計電算化專科學習) in July 2009. Mr. Guo was registered as a certified public accountant by The Chinese Institute of Certified Public Accountants in November 2015.

Mr. Guo has over 11 years of experience in audit, accounting and finance. Prior to joining our Group, Mr. Guo served as a manager of the audit department in Beijing Huaxin Hongjing Tax Agents Co., Ltd., Huizhou Branch* (北京華信宏景稅務師事務所有限公司惠州分公司) from February 2012 to December 2016. From February 2017 to August 2017, Mr. Guo served as a finance manager in Shenzhen Public Information Technology Co., Ltd.* (深圳公眾信息技術有限公

司), a company principally engaged in communication network technology and was mainly responsible for financial matters. From September 2017 to July 2018, Mr. Guo served as a manager of the finance department in China Construction Hetu Construction Co., Ltd.* (中建河圖建設有限公司), a company principally engaged in housing construction engineering and municipal and public works construction and was mainly responsible for financial matters. From September 2019 to October 2020, Mr. Guo served as an audit project manager in Shenzhen Zhonglun Certified Public Accountants Firm* (深圳中倫會計師事務所) and was mainly responsible for audit matters.

Mr. Wu Jianmin (吳堅民) ("Mr. Wu"), aged 28, joined our Group in January 2018. He currently serves as the audit manager of Zhongshen Jianye and is mainly responsible for the overall accounting and audit matters since joining our Group.

Mr. Wu graduated from Guangdong Polytechnic of Water Resources and Electric Engineering (廣東水利電力職業技術學院) majoring in environmental geological engineering technology (環境地質工程技術專科學習) in June 2017.

Mr. Wu was qualified as a civil construction quality inspector in August 2017 by Guangdong Provincial Association of Construction Education (廣東省建設教育協會). He was also qualified as an assistant engineer (助理工程師) in project management in July 2020 by the Human Resources and Social Security Bureau of Shenzhen Municipality* (深圳市人力資源和社會保障局) and an associate constructor (二級建造師) in construction engineering in December 2020 by the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳). He was registered as an associate constructor (二級建造師) in construction engineering in April 2021 by the Department of Housing and Urban-Rural Development of Guangdong Province* (廣東省住房和城鄉建設廳).

Prior to joining our Group, Mr. Wu served as a construction worker in Shenzhen Xinyi Labour Service Co., Ltd.* (深圳市新藝勞務有限公司), a company principally engaged in construction from November 2016 to December 2017 and was mainly responsible for on-site construction.

Mr. Zhang Lei (張磊) ("Mr. Zhang"), aged 41, joined our Group in November 2019. He currently serves as the operating manager of Zhongshen Jianye and is mainly responsible for the overall operation and management of our Group.

Mr. Zhang obtained a bachelor's degree in project cost and management (self education) from the Nanchang University (南昌大學) in December 2016. Mr. Zhang was qualified as a senior engineer under the Qualification Certificate of Senior Professional Technical Position in December 2016 by the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室).

Mr. Zhang has over 16 years of experience in construction operations sector. Prior to joining our Group, Mr. Zhang served as a marketing manager in Shenzhen Pengrunda Holding Group Co., Ltd.* (深圳市鵬潤達控股集團有限公司), a company principally engaged in civil engineering from January 2007 to September 2012 and was mainly responsible for business development. From October 2012 to March 2014, Mr. Zhang served as a market development manager in Zhongheng

Construction Group Co., Ltd.* (中恒建設集團有限公司), a company principally engaged in housing construction engineering and was mainly responsible for business development and department personnel management and training. From April 2014 to December 2019, Mr. Zhang served as a marketing manager in Shenzhen Jianan Real Estate Engineering Co., Ltd.* (深圳建安置業工程有限公司), a company principally engaged in real estate development and construction and was mainly responsible for operation and market development.

Mr. Sang Yongwei (桑永威) ("Mr. YW Sang"), aged 31, joined our Group in March 2021. He currently serves as the human resources manager of Zhongshen Jianye and is mainly responsible for the overall human resources and administrative management of our Group.

Mr. YW Sang obtained a bachelor's degree in human resources management from the Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in July 2015.

Mr. YW Sang was qualified as a third level corporate human resources professional in December 2013 by the Occupational Skill Testing Authority of the Ministry of Human Resources and Social Security (人力資源和社會保障部職業技能鑒定中心).

Mr. YW Sang has over 8 years of experience in human resources management. Prior to joining our Group, Mr. YW Sang served as human resources specialist (人事專員) in Shenzhen United-Bank Group Co., Ltd.* (深圳市中合銀融資擔保有限公司), a company principally engaged in provision of engineering financial services and was mainly responsible for recruitment and initial training of the new employees from June 2015 to May 2018. From April 2018 to February 2021, Mr. YW Sang served as a regional human resources and administration manager in Shenzhen Hude Engineering Guarantee Co., Limited* (深圳市赫德工程擔保有限公司), a company principally engaged in provision of engineering financial service and was mainly responsible for regional human resources and administration management.

Mr. Wang Xuguang (王旭光) ("Mr. Wang"), aged 48, joined our Group in July 2018. He currently serves as the engineering manager of Zhongshen Jianye and is mainly responsible for the overall project management construction matters of our Group.

Mr. Wang graduated from the Henan Radio & Television University (河南廣播電視大學) (now known as the Open University of Henan) (河南開放大學) majoring in industrial and civil construction (工業與民用建築專科學習) in July 1997. He was qualified as an assistant engineer on industrial and civil engineering in December 2000 by the Henan Construction Department* (河南省建設廳) and registered as an associate constructor (二級建造師) in construction engineering in January 2020 and municipal public works in April 2021 by the Department of Housing and Urban-Rural Development of Guangdong Province* (廣東省住房和城鄉建設廳). Mr. Wang possesses years of experience in the construction engineering industry.

Mr. Liu Chuanwen (劉傳文) ("Mr. Liu"), aged 52, joined our Group in July 2020. He currently serves as the senior engineer in the technical department of Zhongshen Jianye and is mainly responsible for providing technical support and research and development and quality management for projects of our Group.

Mr. Liu obtained a bachelor's degree in civil engineering (online education) from the China University of Geosciences, Beijing (中國地質大學(北京)) in January 2006. He was registered as a constructor (一級建造師) in construction engineering in June 2021 by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部).

Mr. Liu has over 18 years of experience in the construction industry. Prior to joining our Group, Mr. Liu served as project manager in China Construction Fourth Engineering Division Corp. Limited (中國建築第四工程局有限公司) from July 2005 to June 2020, a company principally engaged in housing construction engineering and municipal and public works construction and was mainly responsible for project management and coordination.

As at the Latest Practicable Date and the three years immediately preceding, each member of our senior management confirms with respect to himself that he has not held any directorship in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Ng Ka Chai (吳家齊) ("Mr. Ng"), aged 40, joined our Group in January 2022. He is the financial controller, company secretary and authorised representative of our Company responsible for financial reporting and company secretarial matters of our Group.

Mr. Ng obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in July 2004. He has been a member of Hong Kong Institute of Certified Public Accountants since July 2015.

Mr. Ng has over 15 years of experience in the audit field. Prior to joining our Group, he served as an accountant in Mabel Chan & Co. from August 2008 and July 2010. He worked for Crowe Horwath (HK) CPA Limited from July 2010 to April 2016 and his last position was a manager. From June 2016 to November 2016, he worked in Wall CPA Limited as a senior manager. From May 2019 to August 2019, Mr. Ng worked as the financial controller, company secretary and authorised representative of Zhejiang Prospect Company Limited (stock code: 8273), the issued shares of which were delisted in September 2019 under Rule 9.14A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange, and was responsible for corporate governance, financial reporting, and internal control matters.

Since December 2016, he has been the financial controller, company secretary and authorised representative of JTF International Holdings Limited (stock code: 9689), the issued shares of which are currently listed on Main Board of the Stock Exchange, and is responsible for corporate governance, financial reporting, and internal control matters.

BOARD COMMITTEES

We have established the following three committees: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with their terms of reference established by our Board.

Audit committee

We have established an audit committee on [●] with written terms of reference in compliance with Rule 3.21 of the Listing Rules.

Our Audit Committee has three members, namely Ms. Liu Zhihong, Mr. Zeng Qingli and Mr. Xie Huagang, all of whom are our independent non-executive Directors. The chairlady of our Audit Committee is Ms. Liu Zhihong.

The primary responsibilities of our Audit Committee include, among others, (i) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of our Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iii) developing and reviewing our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; and (iv) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors.

Remuneration committee

We have established a remuneration committee on [●] with written terms of reference in compliance with Rule 3.25 of the Listing Rules.

Our Remuneration Committee has three members, namely Mr. Xie Huagang, Ms. Liu Zhihong and Mr. Zeng Qingli, all are our independent non-executive Directors. The chairman of our Remuneration Committee is Mr. Xie Huagang.

The primary responsibilities of our Remuneration Committee include, among others, (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iii) making recommendations to our Board on the remuneration packages of Directors and senior management.

Nomination committee

We established a nomination committee on [●] with written terms of reference in compliance with Rule 3.27A of the Listing Rules.

Our Nomination Committee has three members, namely Mr. Zeng Qingli, Ms. Liu Zhihong and Mr. Xie Huagang, all of whom are our independent non-executive Directors. The chairman of our Nomination Committee is Mr. Zeng Qingli.

The primary responsibility of our Nomination Committee include, among others, (i) reviewing the structure, size and composition of the Board on a regular basis; (ii) identifying individuals suitably qualified to become Board members; (iii) assessing the independence of independent non-executive Directors; and (iv) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

Corporate governance functions

The terms of reference of our Board include, among others, (i) developing and reviewing our Company's policies and practices on corporate governance and making recommendations to our Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring our Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing our Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report and compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

BOARD DIVERSITY POLICY

Our Company [has adopted] a board diversity policy (the "**Board Diversity Policy**"), which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Our Company recognises and embraces the benefits of the Board diversity to enhance the quality of its performance and endeavours to ensure that the Board has appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. Our Company seeks to achieve Board diversity by selection of candidates for the Board through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service. Our Company has also taken, and will continue to take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. All Board appointments will continue to be based on meritocracy having due regard for the benefits of diversity on the Board. The ultimate decision will continue to be based on merit and contribution that the selected candidates will bring to the Board.

Our Board comprises of five members, including one female Director. Our Directors also have a balanced mix of knowledge and experience in the areas of accounting, legal and engineering. None of the Directors are related to one another. We have three independent non-executive Directors with different industry backgrounds, representing around two-third of the members of our Board. Furthermore, the ages of our Directors range from 27 years old to 46 years old.

We will review the objectives of the Board Diversity Policy from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. After [REDACTED], the Nomination Committee will review the Board Diversity Policy and monitor its implementation. The Nomination Committee will report annually to shareholders in the corporate governance section of the annual report of the Company on the process adopted in relation to the Board appointments and the consideration given to the diversity on the Board.

COMPLIANCE ADVISER

Our Company has appointed Kingsway Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. According to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the [REDACTED] and end on the date when our Company distributes its annual report in relation to its financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration paid by us to our Directors, including salaries, allowances and contributions to retirement benefit scheme, was approximately RMB993,000, RMB757,000, RMB851,000 and RMB397,000 for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively.

The aggregate amount of emoluments payable to the five highest paid individuals (excluding the Directors), including salaries, allowances and contributions to retirement benefit scheme, during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 was approximately RMB677,000, RMB804,000, RMB966,000 and RMB449,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. None of our Directors has waived any remuneration during the same period.

Under the arrangements currently in force, we estimate that we will pay an aggregate amount of approximately RMB795,000 to our Directors as remuneration in respect of the year ending 31 December 2023 (excluding any discretionary bonuses).

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the Capitalisation Issue, the following persons/entities will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the issued voting Shares of our Company or any other member of our Group:

		As at the Latest Practicable Date		Immediately following completion of the [REDACTED] and the Capitalisation Issue	
Name of Shareholders	**Capacity**	**Number of Shares(1)**	**Approximate percentage of shareholding**	**Number of Shares(1)**	**Approximate percentage of shareholding**
Zhongshen Hengtai	Beneficial owner	7,360 (L)	73.6%	[REDACTED] (L)	[REDACTED]%
Mr. Sang	Interest in a controlled corporation	7,360 (L)(2)	73.6%	[REDACTED] (L)(2)	[REDACTED]%
Zhongshen Chitai	Beneficial owner	1,840 (L)	18.4%	[REDACTED] (L)	[REDACTED]%
Mr. Xian	Interest in a controlled corporation	1,840 (L)(3)	18.4%	[REDACTED] (L)(3)	[REDACTED]%
Ms. Jin Wei	Interest of spouse	1,840 (L)(4)	18.4%	[REDACTED] (L)(4)	[REDACTED]%
Xinyao Investment	Beneficial owner	800 (L)	8.0%	[REDACTED] (L)	[REDACTED]%
Ms. Hou	Interest in a controlled corporation	800 (L)(5)	8.0%	[REDACTED] (L)(5)	[REDACTED]%
Mr. Wang Jing	Interest of spouse	800 (L)(6)	8.0%	[REDACTED] (L)(6)	[REDACTED]%

Notes:

1. The letter "L" denotes long position in our Shares.

2. These Shares were/will be held by Zhongshen Hengtai, a company wholly-owned by Mr. Sang.

3. These Shares were/will be held by Zhongshen Chitai, a company wholly-owned by Mr. Xian.

4. Ms. Jin Wei is the spouse of Mr. Xian. By virtue of the SFO, Ms. Jin Wei is deemed to be interested in all the Shares in which Mr. Xian is interested.

5. These Shares were/will be held by Xinyao Investment, a company wholly-owned by Ms. Hou.

6. Mr. Wang Jing is the spouse of Ms. Hou. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in all the Shares in which Ms. Hou is interested.

Save as disclosed above, our Directors are not aware of any person who will or any entity which will, immediately following the completion of the [REDACTED] and the Capitalisation Issue, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the issued voting Shares of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately after completion of the [REDACTED] and the Capitalisation Issue:

Authorised share capital

		HK$
2,000,000,000	Shares	20,000,000

Issued and to be issued, fully paid or credited as fully paid:

		HK$
[REDACTED]	Shares in issue as of the date of this document	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares in issue immediately upon [REDACTED]	[REDACTED]

ASSUMPTIONS

The above table assumes that the [REDACTED] and the Capitalisation Issue become unconditional and the issue of [REDACTED] pursuant thereto is made as described herein. It does not take into account: (i) any Shares which may be allotted and issued pursuant to the general mandate as mentioned in "General mandate to issue Shares" in this section below; or (ii) any Shares which may be repurchased by our Company pursuant to the repurchase mandate as mentioned in "General mandate to repurchase Shares" in this section below.

The minimum level of [REDACTED] to be maintained by our Company after [REDACTED] is [REDACTED]% of the issued capital of our Company.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this document, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on our Shares after the date of this document save for entitlements under the Capitalisation Issue.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of our Articles of Association, our Company may from time to time by ordinary resolution of our Shareholders (i) increase our capital, (ii) consolidate and divide our capital into Shares of larger amount, (iii) divide our Shares into several classes, (iv) subdivide our Shares into Shares of smaller amount, and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the Cayman Companies Act, reduce our share capital or capital redemption reserve by our Shareholders passing a special resolution.

For further details, please refer to the paragraph headed "2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix III to this document. Pursuant to the Cayman Companies Act and the terms of our Articles of Association, all or any of the special rights attached to our Shares or class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal of issued Shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the Shares of that class.

For further details, please refer to the paragraph headed "2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this document. Other than the circumstances above, certain corporate actions may require the approval of our Shareholders, which would be obtained in a general meeting. For further details, please refer to the paragraph headed "2. Articles of Association" in Appendix III to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to issue, allot and deal with Shares with a total number not more than the sum of:

(a) 20% of the total number of issued Shares of our Company immediately following the completion of the [REDACTED] and the Capitalisation Issue; and

(b) the total number of issued Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with our Articles of Association, or pursuant to the exercise of any subscription rights attached to any warrants which may be issued by us from time to time.

This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which our Company is required by the Articles of Association or the Companies Act or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on [●]" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue. This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further information about our Company — 6. Repurchase of our Shares by our Company" in Appendix IV to this document.

The general mandate to issue and repurchase Shares will remain in effect until the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which our Company is required by the Articles of Association or the Companies Act or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

You should read the following discussion and analysis of our Group's business, results of operations and financial conditions for the Track Record Period in conjunction with the consolidated financial information and the accompanying notes thereto set forth in the Accountant's Report in Appendix I to this document.

The following discussion and analysis contain certain forward-looking statements and information that involve substantial risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this document.

OVERVIEW

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 other 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 may act as a general contractor or subcontractor for our projects depending on the availability of opportunities in the market.

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. During the Track Record Period, our Group primarily engages in the provision of construction services comprising (i) construction engineering works; (ii) municipal and public construction works; (iii) foundation engineering works; and (iv) specialised contracting works.

For the years ended 31 December 2020, 2021 and 2022, our Group recorded (i) revenue of approximately RMB1,331.2 million, RMB1,346.2 million and RMB1,378.1 million, respectively; (ii) gross profit of approximately RMB66.4 million, RMB71.2 million and RMB78.9 million, respectively, representing gross profit margin of approximately 5.0%, 5.3% and 5.7%, respectively; and (iii) profit for the year of approximately RMB13.6 million, RMB28.1 million and RMB25.3 million, respectively.

For the six months ended 30 June 2022 and 2023, our Group recorded (i) revenue of approximately RMB371.9 million and RMB495.8 million, respectively; (ii) gross profit of approximately RMB21.7 million and RMB28.5 million separately, representing gross profit margin of about 5.8% and 5.8% individually; and (iii) loss for the period of approximately RMB4.4 million and profit for the period of approximately RMB10.8 million, respectively.

BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, our Group's business operations is conducted through Zhongshen Jianye which is controlled by Mr. Sang. Pursuant to the Reorganisation, Zhongshen Jianye was transferred to and held by our Company. Our Company and our intermediary holding companies set up during the Reorganisation are new companies which have not been involved in any business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a recapitalisation of our Group's business operations and does not result in any changes in management of such business and the ultimate controlling shareholder of our Group's business operations remains the same. For the purpose of the Accountant's Report set out in Appendix I to this document, the historical financial information has been prepared and presented as a continuation of the consolidated financial statements of Zhongshen Jianye and its subsidiaries with the assets and liabilities of our Group recognised and measured at the carrying values of the assets, liabilities and operating results of our Group's business operations under the consolidated financial statements of Zhongshen Jianye for all periods presented.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk factors" in this document.

General economic conditions and regulatory environment in the PRC

We principally derive our revenue from construction projects in the PRC. The nature, extent and timing of construction projects will be determined by the interplay of a variety of factors, including but not limited to the general economic conditions, the PRC government's spending patterns on the construction works and infrastructure, the investment by property developers and the regulatory policies taken by the PRC government related to the construction industry. These factors may affect the number of construction projects offered by the public sector, private sector or institutional bodies. Our revenue directly correlates with the level of construction activities in the PRC. Any changes in the economic conditions and national, provincial or local policies related to the PRC construction industry may have a material impact on the level of construction activities, as well as the supply of land for property development, project financing, fiscal budget and taxation, thereby affect the demand of our service. If the level of construction activities in the PRC declines, our business and results of operations may be materially and adversely affected.

Our ability to secure new projects

Our construction services are generally offered on a project-by-project basis and non-recurring in nature. During the Track Record Period, we completed 50, 55, 33 and 26 projects, respectively. As at the Latest Practicable Date, we had 97 ongoing projects (either in progress or yet to commence). There is no guarantee that our existing customers will award new construction projects to us or that our existing customers will require our construction service again after completion of the projects. We generally identify construction projects through (i) open tender; (ii) invitation by existing customers or industry participants; and (iii) corporate negotiation. Our business performance mainly depends on our ability to secure projects through winning tenders or conferring with existing customers or industry participants. If we are unable to secure new construction projects from our existing customers or to attract new customers, it could have a negative impact on our Group's financial performance.

Pricing and budgeting of our projects

Pricing is a vital factor when competing with our competitors in the tendering or negotiation process and it directly affects our revenue and gross profit margin. For details of our pricing policy, please refer to the section headed "Business — Customers, sales and marketing — Pricing policy" in this document. It is our objective to maintain the competitiveness of our pricing while maximising our profit margin. Failure to strike a balance between pricing our projects competitively and maintaining an adequate profit margin will affect our financial performance and results of operations.

The total project cost is estimated at project assessment phase and project cost management is an ongoing process throughout the project, in particular, at the project execution phase. There is no assurance that the actual costs would not exceed our estimation during the performance of our projects. In the event there are (i) unfavourable weather conditions; (ii) disputes with customers, suppliers, subcontractors and other project parties; (iii) significant difference between actual site condition and our original expectation; (iv) unexpected fluctuation in the price of raw materials after the commencement of construction works; (v) receipt of variation orders from our customers, with substantial subsequent additional contract amount; and (vi) other force majeure events, that our Group has to incur substantial extra costs without sufficient compensation, our profit margin and results of operations will be adversely affected.

Fluctuation in cost of revenue

Our cost of revenue primarily consisted of raw material costs and labour subcontracting costs. These costs in aggregate represented approximately 77.3%, 80.8%, 79.0% and 79.6% of our total cost of revenue for the Track Record Period, respectively. Our ability to control and manage our cost of revenue will enhance our profitability. Any material fluctuation in our cost of revenue may adversely impact our financial performance.

Raw material costs is the largest component in our cost structure and accounted for approximately 46.7%, 49.2%, 47.4% and 52.5% of our total cost of revenue for the Track Record Period, respectively. The principal raw materials used in our construction projects include concrete and steel (rebar and sheet pile). The prices of these materials are largely susceptible to market forces, such as fluctuations of commodity price, logistics and processing costs, environmental and regulatory requirements and other unforeseen circumstances. Since the contract value of our projects is generally determined when a project is awarded to us, any substantial increase in the prices of raw materials between the time of submission of our tender or quotation and the time when we purchase the relevant materials will substantially increase our raw material costs and may materially and adversely affect our gross profit margin and results of operations.

Our labour subcontracting costs accounted for approximately 30.6%, 31.6%, 31.6% and 27.1% of our total cost of revenue for the Track Record Period, respectively. Our Group engaged subcontractors to provide labour services on a project-by-project basis. If we have to incur substantial extra subcontracting costs due to unexpected circumstances without any compensation, our gross profit margin and results of operations will be materially and adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in each of raw material costs and labour subcontracting costs, with other variables remaining constant, on our profit/(loss) for the years/periods indicated:

	Impact on profit/(loss)				
Hypothetical fluctuations in raw material costs	**Year ended 31 December**			**Six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Increase/(decrease) by:					
+2%	(11,814)	(12,550)	(12,321)	(3,542)	(4,902)
+5%	(29,535)	(31,374)	(30,803)	(8,854)	(12,256)
–2%	11,814	12,550	12,321	3,542	4,902
–5%	29,535	31,374	30,803	8,854	12,256

	Impact on profit/(loss)				
Hypothetical fluctuations in labour subcontracting costs	**Year ended 31 December**			**Six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Increase/(decrease) by:					
+2%	(7,731)	(8,068)	(8,197)	(1,958)	(2,535)
+5%	(19,328)	(20,170)	(20,493)	(4,895)	(6,339)
–2%	7,731	8,068	8,197	1,958	2,535
–5%	19,328	20,170	20,493	4,895	6,339

Timing of billing and collection of trade receivables

During the project execution phase, we would submit progress reports to our customers periodically, indicating the volume of work that we have performed. Subject to the certification of work by the independent supervision entity appointed by our customers, we would be entitled to request for progress payments. The portion of the value of work completed but unbilled will be accounted as contract assets. We usually allows our customers to settle the billed amounts within one month. In addition, approximately 3% to 5% of the final settlement value will be retained by our customers as retention money and will be paid to us upon expiration of the defects liability period which normally last for six months to five years after the practical completion of the construction project. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our contract assets and trade receivables amounted to approximately RMB857.0 million, RMB1,072.4 million, RMB1,207.2 million and RMB1,095.1 million, respectively. If the customers experience financial distress, delay of approval on the project progress payment applications, disagreement with the value of works completed or are unable to settle their payments to our Group in a timely manner or at all, our liquidity position could be adversely affected, leading to an increase in working capital.

Seasonality

We normally record lower sales during the first quarter of a year as construction activities are less active due to Chinese New Year. Please refer to the section headed "Risk factors — Our construction business is subject to seasonality" for details regarding the risks associated with seasonality.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The audited historical financial information of our Group has been prepared in accordance with HKFRS. The preparation of the historical financial information in conformity with HKFRS requires the use of accounting estimates. It also requires our management to exercise its judgement in the process of applying our accounting policies. The estimates we use and the judgments we make in applying our accounting policies have significant impacts on the reported financial condition and results of operation of our Group. We continually evaluate these estimates and judgments based on historical experience and other factors, including expectations of future events that may have a financial impact on our Group and that are believed to be reasonable under the circumstances.

Below is a summary of the critical accounting policies adopted by our Group for the preparation of financial statements. For full details of our Group's accounting policies and estimates, please refer to Note 2 and Note 4 to the Accountant's Report set out in Appendix I to this document respectively.

Revenue recognition

Revenue is recognised when or as the control of goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of goods or services may transfer over time or at a point in time. Control of goods or services is transferred over time if our Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates or enhances an asset that the customer controls as our Group performs; or
- does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If control of goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of goods or services.

The progress towards complete satisfaction of the performance obligation is measured based on our Group's efforts or inputs to the satisfaction of the performance obligation that best depict our Group's performance in satisfying the performance obligation.

For construction services contracts, our Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus our Group satisfies a performance obligation and recognises revenue over time, by reference to the progress towards complete satisfaction of that performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Our Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Contract assets and liabilities

Upon entering into a contract with a customer, our Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Impairment

For impairment of trade receivables and contract assets, our Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

SUMMARY OF RESULTS OF OPERATIONS

The following sets forth a summary of our results of operations during the Track Record Period as extracted from the Accountant's Report set out in Appendix I to this document:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	1,331,204	1,346,219	1,378,055	371,857	495,780
Cost of revenue	(1,264,765)	(1,274,971)	(1,299,130)	(350,199)	(467,233)
Gross profit	66,439	71,248	78,925	21,658	28,547
Administrative expenses	(20,016)	(28,250)	(39,069)	(18,983)	(16,355)
(Impairment losses)/reversal of impairment losses on financial assets and contract assets	(26,848)	(5,075)	(1,254)	(7,262)	4,280
Other income, (losses)/gains — net	(212)	1,166	(2)	(40)	(7)
Operating profit/(loss)	19,363	39,089	38,600	(4,627)	16,465
Finance income	60	96	148	48	181
Finance costs	(223)	(90)	(486)	(35)	(1,418)
Finance (costs)/income — net	(163)	6	(338)	13	(1,237)
Profit/(loss) before income tax	19,200	39,095	38,262	(4,614)	15,228
Income tax (expense)/credit	(5,641)	(11,019)	(12,937)	233	(4,441)
Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to owners of the Company	13,559	28,076	25,325	(4,381)	10,787
Earnings/(losses) per share attributable to owners of the Company for the year/period (expressed in RMB thousand per share) — Basic and diluted	1.36	2.81	2.53	(0.44)	1.08

DISCUSSION ON SELECTED ITEMS OF CONSOLIDATED INCOME STATEMENT

Revenue

Our Group principally generated revenue from construction business during the Track Record Period. We provided our customers with professional and comprehensive construction services, where we were 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. Our services span across different aspects of construction, which encompass mainly of (i) construction engineering works; (ii) municipal and public construction works; (iii) foundation engineering works; and (iv) specialised contracting works.

Our Group recorded an increase in our revenue by approximately RMB15.0 million or 1.1% 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, which 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.

Our Group recorded an increase in our revenue by approximately RMB31.8 million or 2.4% 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, which 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.

Our Group recorded an increase in our revenue by approximately RMB123.9 million or 33.3% from approximately RMB371.9 million for the six months ended 30 June 2022 to approximately RMB495.8 million for the six months ended 30 June 2023, which 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.

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

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Construction projects										
Construction engineering projects	625,968	47.0	779,248	57.9	763,321	55.4	194,213	52.2	279,378	56.4
Municipal and public construction projects	646,234	48.5	489,206	36.3	403,793	29.3	147,837	39.8	92,850	18.7
Foundation engineering projects	35,092	2.6	60,539	4.5	53,597	3.9	1,776	0.5	53,732	10.8
Specialised contracting projects	23,910	1.9	17,226	1.3	157,344	11.4	28,031	7.5	69,820	14.1
Total	1,331,204	100.0	1,346,219	100.0	1,378,055	100.0	371,857	100.0	495,780	100.0

Construction engineering projects

Construction engineering projects primarily consist of commercial and residential buildings. Our revenue generated from construction engineering projects accounted for approximately 47.0%, 57.9%, 55.4%, 52.2% and 56.4% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

Our revenue from construction engineering projects increased by approximately RMB153.3 million or 24.5% from approximately RMB626.0 million for the year ended 31 December 2020 to approximately RMB779.2 million for the year ended 31 December 2021. Such increase was mainly attributable to (i) the increase in revenue generated from Project #87, Project #129 and Project #144 by approximately RMB155.0 million in aggregate as a result of greater portion of works performed during the year ended 31 December 2021; and (ii) the commencement of Project #190 with a contract value (excluding VAT) amounting to approximately RMB65.7 million in February 2021 and generated revenue of approximately RMB55.2 million for the year ended 31 December 2021. The increase was partially offset by the decrease in revenue recognised from Project #25 due to its suspension since December 2020. The revenue generated from Project #25 amounted to approximately RMB73.2 million for the year ended 31 December 2020 and our Group did not generate revenue from such project during the year ended 31 December 2021. For details on the suspended project, please refer to the section headed "Business — Our projects — Project suspension and delays" in this document.

Our revenue from construction engineering projects decreased by approximately RMB15.9 million or 2.0% from approximately RMB779.2 million for the year ended 31 December 2021 to approximately RMB763.3 million for the year ended 31 December 2022. Such decrease was mainly attributable to (i) the decrease in revenue recognised from Project #94 and Project #144 by approximately RMB101.1 million in aggregate as these projects were completed during the year ended 31 December 2022; and (ii) the decrease in revenue recognised from Project #87, Project #129 and Project #190 by approximately RMB352.3 million in aggregate as these projects were approaching their later stage of development. The decrease was partially offset by the commencement of (i) Project #196 with a contract value (excluding VAT) amounting to approximately RMB284.3 million in November 2021 and generated revenue of approximately RMB166.2 million for the year ended 31 December 2022; (ii) Project #237 with a contract value (excluding VAT) amounting to approximately RMB242.9 million in April 2022 and generated revenue of approximately RMB147.9 million for the year ended 31 December 2022; (iii) Project #266 with a contract value (excluding VAT) amounting to approximately RMB207.7 million in October 2022 and generated revenue of approximately RMB65.9 million for the year ended 31 December 2022; and (iv) Project #285 with a contract value (excluding VAT) amounting to approximately RMB140.6 million in September 2022 and generated revenue of approximately RMB64.3 million for the year ended 31 December 2022.

Our revenue from construction engineering projects increased by approximately RMB85.2 million or 43.9% from approximately RMB194.2 million for the six months ended 30 June 2022 to approximately RMB279.4 million for the six months ended 30 June 2023. Such increase was mainly attributable to (i) the commencement of Project #302 with a contract value (excluding VAT) amounting to approximately RMB83.3 million in January 2023 and generated revenue of approximately RMB66.7 million for the six months ended 30 June 2023; and (ii) Project #266, which generated revenue of approximately RMB55.7 million for the six months ended 30 June 2023. The increase was partially offset by the decrease in revenue recognised from Project #87, Project #196 and Project #237 by approximately RMB83.7 million in aggregate as these projects were approaching their later stage of development.

Municipal and public construction projects

Municipal and public construction projects primarily consist of environment improvement works, construction of sewage treatment infrastructure and roadwork. Our revenue generated from municipal and public construction projects accounted for approximately 48.5%, 36.3%, 29.3%, 39.8% and 18.7% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

Our revenue from municipal and public construction projects decreased by approximately RMB157.0 million or 24.3% from approximately RMB646.2 million for the year ended 31 December 2020 to approximately RMB489.2 million for the year ended 31 December 2021. Such decrease was mainly attributable to the completion of several large-scale municipal and public construction projects, including Project #136 and Project #137, during the year ended 31 December 2021 and substantial portions of work were performed during 2020, which is in line with our strategy to diversify resources to larger construction engineering projects during the Track Record Period notwithstanding our previous focus on municipal and public construction works.

Our revenue from municipal and public construction projects decreased by approximately RMB85.4 million or 17.5% from approximately RMB489.2 million for the year ended 31 December 2021 to approximately RMB403.8 million for the year ended 31 December 2022. Such decrease was mainly attributable to (i) the decrease in revenue recognised from Project #123, Project #157, Project #161, Project #195 and Project #212 by approximately RMB138.5 million in aggregate as these projects were completed during the year ended 31 December 2022; and (ii) the decrease in revenue recognised from Project #160 by approximately RMB53.2 million as the project was approaching its later stage of development. The decrease was partially offset by the commencement of (i) Project #246 with a contract value (excluding VAT) amounting to approximately RMB108.4 million in February 2022 and generated revenue of approximately RMB107.4 million for the year ended 31 December 2022; and (ii) Project #165 with a contract value (excluding VAT) amounting to approximately RMB34.4 million in February 2022 and generated revenue of approximately RMB30.4 million for the year ended 31 December 2022.

Our revenue from municipal and public construction projects decreased by approximately RMB55.0 million or 37.2% from approximately RMB147.8 million for the six months ended 30 June 2022 to approximately RMB92.9 million for the six months ended 30 June 2023. Such decrease was mainly attributable to the decrease in revenue recognised from Project #157 and Project #246 by approximately RMB55.6 million in aggregate as these projects were completed in July 2022 and April 2023, respectively. The decrease was partially offset by the commencement of Project #312 with a contract value (excluding VAT) amounting to approximately RMB32.9 million in April 2023 and generated revenue of approximately RMB30.7 million for the six months ended 30 June 2023.

Foundation engineering projects

Foundation engineering projects primarily consist of earthwork and foundation construction and slope protection work. Our revenue generated from foundation engineering projects accounted for approximately 2.6%, 4.5%, 3.9%, 0.5% and 10.8% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

Our revenue from foundation engineering projects increased by approximately RMB25.4 million or 72.5% from approximately RMB35.1 million for the year ended 31 December 2020 to approximately RMB60.5 million for the year ended 31 December 2021. Such increase was mainly attributable to the commencement of Project #177, an earthwork and foundation construction project, which generated revenue of approximately RMB43.3 million for the year ended 31 December 2021. The increase was partially offset by the decrease in revenue recognised from another earthwork and foundation construction project, Project #56 by approximately RMB31.1 million as the project was completed in November 2020.

Our revenue from foundation engineering projects decreased by approximately RMB6.9 million or 11.5% from approximately RMB60.5 million for the year ended 31 December 2021 to approximately RMB53.6 million for the year ended 31 December 2022. Such decrease was mainly attributable to (i) the decrease in revenue recognised from Project #177 by approximately RMB39.7 million as the project was completed during the year ended 31 December 2022; and (ii) the decrease in revenue recognised from Project #111 by approximately RMB15.3 million as the project was approaching its later stage of development. The decrease was partially offset by the commencement of (i) Project #240 with a contract value (excluding VAT) amounting to approximately RMB14.2 million in July 2022 and generated revenue of approximately RMB14.0 million for the year ended 31 December 2022; (ii) Project #296 with a contract value (excluding VAT) amounting to approximately RMB11.3 million in October 2022 and generated revenue of approximately RMB11.0 million for the year ended 31 December 2022; and (iii) our ongoing foundation engineering projects since September 2022 and generated revenue of approximately RMB24.7 million in aggregate for the year ended 31 December 2022.

Our revenue from foundation engineering projects increased by approximately RMB52.0 million or 2,925.5% from approximately RMB1.8 million for the six months ended 30 June 2022 to approximately RMB53.7 million for the six months ended 30 June 2023. Such increase was mainly attributable to the commencement of (i) Project #301 with a contract value (excluding VAT) amounting to approximately RMB9.6 million in January 2023 and generated revenue of approximately RMB8.7 million for the six months ended 30 June 2023; (ii) Project #307 with a contract value (excluding VAT) amounting to approximately RMB46.1 million in January 2023 and generated revenue of approximately RMB18.4 million for the six months ended 30 June 2023; and (iii) Project #316 with a contract value (excluding VAT) amounting to approximately RMB11.9 million in April 2023 and generated revenue of approximately RMB9.6 million for the six months ended 30 June 2023.

Specialised contracting projects

Specialised contracting projects primarily consist of building renovation and decoration works services. Our revenue generated from specialised contracting projects accounted for approximately 1.9%, 1.3%, 11.4%, 7.5% and 14.1% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

Our revenue from specialised contracting projects decreased by approximately RMB6.7 million or 28.0% from approximately RMB23.9 million for the year ended 31 December 2020 to approximately RMB17.2 million for the year ended 31 December 2021. Such decrease was mainly attributable to the completion of a renovation project in December 2020.

Our revenue from specialised contracting projects increased by approximately RMB140.1 million or 813.4% from approximately RMB17.2 million for the year ended 31 December 2021 to approximately RMB157.3 million for the year ended 31 December 2022. Such increase was mainly attributable to the commencement of several specialised contracting projects in relation to hydropower engineering with larger project scale including Project #249, Project #273, Project #274 and Project #276 with contract values (excluding VAT) amounting to approximately RMB83.2 million, RMB20.2 million, RMB16.5 million and RMB27.1 million, respectively, and generated revenue of approximately RMB82.7 million in aggregate for the year ended 31 December 2022. Such increase was partially offset by the decrease in revenue recognised from several specialised contracting projects, namely Project #99, Project #135, Project #185, Project #209 and Project #219, by approximately RMB14.4 million in aggregate as the projects were completed in 2021.

Our revenue from specialised contracting projects increased by approximately RMB41.8 million or 149.1% from approximately RMB28.0 million for the six months ended 30 June 2022 to approximately RMB69.8 million for the six months ended 30 June 2023. Such increase was mainly attributable to Project #249, Project #273, Project #275 and Project #279, which generated revenue of approximately RMB57.5 million in aggregate for the six months ended 30 June 2023. The increase was partially offset by the decrease in revenue recognised from Project #241 by approximately RMB9.3 million as the project was completed in June 2022 and the decrease in revenue recognised from Project #243 by approximately RMB9.4 million as the project was approaching its later stage of development.

Cost of revenue

The following table sets forth the breakdown of our cost of revenue by nature for the years/ periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Raw material costs										
— concrete	163,122	12.9	164,179	12.9	128,781	9.9	50,575	14.4	34,088	7.3
— steel	169,147	13.4	143,218	11.2	111,252	8.6	30,680	8.8	65,319	14.0
— others[(1)]	258,439	20.4	320,089	25.1	376,032	28.9	95,821	27.4	145,711	31.2
Subtotal	590,708	46.7	627,486	49.2	616,065	47.4	177,076	50.6	245,118	52.5
Labour subcontracting costs	386,552	30.6	403,402	31.6	409,869	31.6	97,906	28.0	126,773	27.1
Specialised construction subcontracting costs	217,025	17.2	131,078	10.3	167,627	12.9	44,814	12.8	45,067	9.6
Equipment and machinery usage costs	60,828	4.8	99,155	7.8	91,541	7.0	26,260	7.5	43,856	9.4
Other project costs[(2)]	9,652	0.7	13,850	1.1	14,028	1.1	4,143	1.1	6,419	1.4
Total cost of revenue	1,264,765	100.0	1,274,971	100.0	1,299,130	100.0	350,199	100.0	467,233	100.0

Notes:

1. Others raw material costs primarily consisted of costs of aggregates, asphalt, bricks, cement, pipes and other construction materials.

2. Other project costs primarily consisted of other taxes and surcharges, insurance expenses, inspection costs and other expenses incurred at construction sites.

Our cost of revenue primarily comprised (i) raw material costs, which represented costs of raw materials used primarily in our construction projects; (ii) labour subcontracting costs, which represented fees paid to subcontractors to provide labour services; (iii) specialised construction subcontracting costs, which represented fees paid to subcontractors to provide certain specialised construction services, usually included costs of equipment and raw materials used in their subcontracted work; and (iv) equipment and machinery usage costs, which represented the costs incurred for leasing equipment and machinery for our construction projects. Each of these costs may vary from project to project depending on various factors, including but not limited to, the scope and complexity of works, the method and sequence of construction, the stages of construction and necessary equipment and machinery.

Our cost of revenue amounted to approximately RMB1,264.8 million, RMB1,275.0 million, RMB1,299.1 million, RMB350.2 million and RMB467.2 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. Such movements were generally in line with the changes in our revenue during the Track Record Period.

The increase in cost of revenue of approximately RMB10.2 million or 0.8% for the year ended 31 December 2021 was mainly attributable to the increase in (i) equipment and machinery usage costs by approximately RMB38.3 million; (ii) raw material costs by approximately RMB36.8 million; and (iii) labour subcontracting costs by approximately RMB16.9 million, which was partially offset by the decrease in specialised construction subcontracting costs by approximately RMB85.9 million. The fluctuations in these costs were primarily due to the change of needs in purchasing required construction materials, engaging subcontractors and leasing necessary equipment and machinery based on the circumstances and nature of the projects.

The increase in cost of revenue of approximately RMB24.2 million or 1.9% for the year ended 31 December 2022 as compared to the year ended 31 December 2021 was mainly attributable to the increase in (i) specialised construction subcontracting costs by approximately RMB36.5 million; and (ii) labour subcontracting costs by approximately RMB6.5 million, which was partially offset by the decrease in raw material costs by approximately RMB11.4 million. The increase in specialised construction subcontracting costs and labour subcontracting costs were primarily due to (i) the increase in engagement of construction subcontractors to separately perform non-major parts of our construction process and other ancillary construction services; and (ii) the increase in the amount of works outsourced to subcontractors as a result of the commencement of several large-scale projects in late 2021 and 2022, namely Project#196, Project#237, Project #246, Project #249, Project #266 and Project #285. The decrease in raw material costs was mainly due to the fact that we engaged more specialised construction subcontractors in certain projects for cost control, the specialised construction subcontracting costs of which included raw materials used in construction, and hence lower raw material costs was incurred in 2022.

The increase in cost of revenue of approximately RMB117.0 million or 33.4% for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022 was mainly attributable to the increase in (i) raw material costs by approximately RMB68.0 million; (ii) labour subcontracting costs by approximately RMB28.9 million; and (iii) equipment and machinery usage costs by approximately RMB17.6 million. The increases in these costs were primarily due to the increase in demand for raw materials and increase in amount of works outsourced to subcontractors as a result of the commencement of several large-scale projects in 2023 and the recovery from the negative impact of COVID-19, which have been progressively building up.

Gross profit and gross profit margin

We recorded gross profit of approximately RMB66.4 million, RMB71.2 million, RMB78.9 million, RMB21.7 million and RMB28.5 million, respectively, and gross profit margin of approximately 5.0%, 5.3%, 5.7% and 5.8% and 5.8%, respectively, for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023. During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on a number of factors, including but not limited to, the scope and complexity of works, the stages of construction, our cost control and management, timing and recognition of cost and revenue in different construction stages and the outcome of the negotiation on the value of variation orders or final accounts with our customers.

Our overall gross profit increased by approximately RMB4.8 million or 7.2% for the year ended 31 December 2021, which was primarily attributable to the overall revenue growth for reasons mentioned above and the overall increase in gross profit margin.

Our overall gross profit increased by approximately RMB7.7 million or 10.8% for the year ended 31 December 2022 as compared to the year ended 31 December 2021, which was primarily attributable to the overall revenue growth for reasons mentioned above and the overall increase in gross profit margin.

Our overall gross profit increased by approximately RMB6.9 million or 31.8% for the six months ended 30 June 2022 as compared to the six months ended 30 June 2023, which was primarily attributable to the overall revenue growth for reasons mentioned above and the overall increase in gross profit margin.

Our overall gross profit margin increased from approximately 5.0% for the year ended 31 December 2020 to approximately 5.3% for the year ended 31 December 2021. Such increase was largely driven by the increase in gross profit margin of our municipal and public construction projects.

Our overall gross profit margin increased from approximately 5.3% for the year ended 31 December 2021 to approximately 5.7% for the year ended 31 December 2022. Such increase was primarily attributable to the increase in gross profit margins of our construction engineering projects and foundation engineering projects.

Our overall gross profit margin remained stable at approximately 5.8% for the six months ended 30 June 2022 and 2023.

The following table sets forth the breakdown of our gross profit 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	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Construction projects										
Construction engineering projects	32,746	5.2	40,144	5.2	46,267	6.1	11,086	5.7	17,625	6.3
Municipal and public construction projects	30,940	4.8	28,211	5.8	21,560	5.3	8,945	6.1	4,346	4.7
Foundation engineering projects	1,569	4.5	2,835	4.7	2,900	5.4	93	5.2	3,173	5.9
Specialised contracting projects	1,184	5.0	58	0.3	8,198	5.2	1,534	5.5	3,403	4.9
Total	66,439	5.0	71,248	5.3	78,925	5.7	21,658	5.8	28,547	5.8

Construction engineering projects

Our gross profit margin of construction engineering projects remained relatively stable at approximately 5.2% and 5.2% for the years ended 31 December 2020 and 2021, respectively.

Our gross profit margin of construction engineering projects grew from approximately 5.2% for the year ended 31 December 2021 to approximately 6.1% for the year ended 31 December 2022. Such growth was primarily attributable to (i) Project #19, which contributed gross profit of approximately RMB2.5 million and achieved a gross profit margin of approximately 11.8% for the year ended 31 December 2022 as the project approached its later stage of construction and was completed in 2022, resulting in lower raw material costs and labour subcontracting costs; and (ii) the commencement of Project #196, Project #252 and Project #285 in late 2021 and 2022, which had achieved a gross profit margin of approximately 7.8%, 7.8% and 6.7%, respectively, during the year ended 31 December 2022. In respect of Project #196, due to the soil condition of the construction site, less cost of earthwork transportation was incurred. Therefore, we recorded a relatively higher profit margin from Project #196, which contributed a gross profit of approximately RMB13.0 million for the year ended 31 December 2022. In respect of Project #252, since it was a construction project at a school building and was commenced in July 2022 during summer holiday, and we were allowed to carry out construction works at night time, the construction progress was enhanced, resulting in a gross profit margin of approximately 7.8%. In respect of Project #285, since the project mainly involved indoor construction, the construction progress would be more efficient because of less affection of weather. Also, due to the nature of Project #285, lower equipment and machinery cost was incurred, resulting in higher gross profit margin. Project #285 contributed gross profit of approximately RMB4.3 million for the year ended 31 December 2022.

Our gross profit margin of construction engineering projects grew from approximately 5.7% for the six months ended 30 June 2022 to approximately 6.3% for the six months ended 30 June 2023. Such growth was primarily attributable to (i) the commencement of Project #302 in January 2023, which contributed gross profit of approximately RMB4.5 million and achieved a gross profit margin of approximately 6.8% for the six months ended 30 June 2023 due to the large scale of construction site, we could carry out various construction processes simultaneously, improving construction efficiency and reducing costs; and (ii) the higher gross profit margin of Project #196 and Project #285, which contributed gross profit of approximately RMB2.5 million and RMB1.1 million, and achieved a gross profit margin of approximately 7.8% and 6.8%, respectively, due to the reason as mentioned in the previous paragraph above.

Municipal and public construction projects

Our gross profit margin of municipal and public construction projects grew from approximately 4.8% for the year ended 31 December 2020 to approximately 5.8% for the year ended 31 December 2021. Such growth was primarily attributable (i) the commencement of several new municipal and public construction projects, namely Project #195 and Project #212, in 2021 with gross profit margin relatively higher than our average gross profit margin; and (ii) the alteration of building material by a customer for a project during the construction process, resulting in lower cost of raw materials to our Group.

Our gross profit margin of municipal and public construction projects decreased from approximately 5.8% for the year ended 31 December 2021 to approximately 5.3% for the year ended 31 December 2022. Such decrease was primarily attributable to (i) the negative impact of Project #96 on our gross profit margin as additional works were performed after completion and the relevant costs were incurred and recognised during the year ended 31 December 2022, partially offset by the commencement of several new roadwork projects, namely Project #165, Project #216 and Project #246, in 2022 with gross profit margin relatively higher than our average municipal and public construction projects due to the higher construction complexity of those new roadwork projects.

Our gross profit margin of municipal and public construction projects decreased from approximately 6.1% for the six months ended 30 June 2022 to approximately 4.7% for the six months ended 30 June 2023. Such decrease was primarily attributable to the negative impact of (i) Project #40, which contributed a gross loss of approximately RMB0.5 million, mainly due to the increase in raw materials used for maintenance of the landscape; and (ii) Project #184, which contributed a gross loss of approximately RMB0.3 million, due to the increase in use of aggregates, resulting in higher raw material costs.

Foundation engineering projects

Our gross profit margin of foundation engineering projects remained relatively stable at approximately 4.5% and 4.7% for the years ended 31 December 2020 and 2021, respectively.

Our gross profit margin of foundation engineering projects grew from approximately 4.7% for the year ended 31 December 2021 to approximately 5.4% for the year ended 31 December 2022. Such growth was primarily attributable to the commencement of several foundation projects, namely Project #281, Project #287, Project #293, Project #294 and Project #296, in 2022 which had relatively higher gross profit margin due to geological conditions of the construction sites, and hence less equipment and machinery usage costs and labour subcontracting cost were incurred.

Our gross profit margin of foundation engineering projects grew from approximately 5.2% for the six months ended 30 June 2022 to approximately 5.9% for the six months ended 30 June 2023. Such growth was primarily attributable to (i) the commencement of our new foundation project, namely Project #301, in 2023 with gross profit margin relatively higher than our average foundation engineering projects due to the larger scale construction site, we would carry out various construction processes simultaneously, improving construction efficiency and reducing costs; and (ii) Project #287 and Project #293 which had relatively high gross profit margin due to the reason as mentioned in the previous paragraph above.

Specialised contracting projects

Our gross profit margin of specialised contracting projects were approximately 5.0%, 0.3%, 5.2%, 5.5% and 4.9% for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively. Our gross profit margin of specialised contracting projects generally depends on various factors such as (i) the nature; (ii) the complexity; and (iii) the duration of projects.

Administrative expenses

The following table sets forth the breakdown of our administrative expenses by nature for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs	14,432	17,670	22,187	11,235	9,835
[REDACTED]	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation and amortisation	2,977	3,227	3,465	1,672	1,758
Travelling and entertainment expenses	566	569	388	279	242
Professional fees	272	238	930	887	351
Auditors' remuneration	44	645	169	149	30
Others	1,725	2,583	2,599	1,482	1,772
Total	20,016	28,250	39,069	18,983	16,355

Our administrative expenses primarily consists of staff costs, depreciation and amortisation and [REDACTED]. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, our administrative expenses amounted to approximately RMB20.0 million, RMB28.3 million, RMB39.1 million, RMB19.0 million and RMB16.4 million, representing approximately 1.5%, 2.1%, 2.8%, 5.1% and 3.3% of our total revenue, respectively.

The increase in administrative expenses of approximately RMB8.2 million or 41.1% for the year ended 31 December 2021 and approximately RMB10.8 million or 38.3% for the year ended 31 December 2022 was mainly attributable to (i) the increase in staff costs of approximately RMB3.2 million and RMB4.5 million; and (ii) the non-recurring [REDACTED] of approximately [REDACTED], RMB[REDACTED] million and RMB[REDACTED] million incurred, for the respective years. The increase in staff costs was primarily due to the increase in our monthly average headcount from 174 for the year ended 31 December 2020 to 211 for the year ended 31 December 2021 and further to 226 for the year ended 31 December 2022.

The decrease in administrative expenses of approximately RMB2.6 million or 13.8% for the six months ended 30 June 2023 was mainly attributable to the decrease in (i) staff costs of approximately RMB1.4 million; and (ii) [REDACTED] of approximately RMB[REDACTED] million. The decrease in staff costs was primarily due to the decrease in average headcount from 231 for the six months ended 30 June 2022 to 193 for the six months ended 30 June 2023.

Net impairment losses on financial assets and contract assets

The following table sets forth our net impairment losses on financial assets and contract assets for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Impairment losses)/reversal of impairment losses on contract assets	(19,973)	(4,642)	(563)	(4,686)	3,154
(Impairment losses)/reversal of impairment loss on trade receivables	(6,987)	(380)	1,640	(2,612)	915
Reversal of impairment losses/(impairment losses on other receivables) on other receivables	112	(53)	(2,331)	36	211
Total	(26,848)	(5,075)	(1,254)	(7,262)	4,280

Our net impairment losses on financial assets and contract assets represent the expected credit losses on our contract assets, trade receivables and other receivables. Our Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected loss rates are determined based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institutions, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Our Group has primarily identified the consumer price index and broad money supply under China M2 Money Supply in the PRC to be the relevant macroeconomic factors for the purpose of assessing forward looking information, and accordingly adjusts the loss rates based on expected changes in those factors. Please refer to Notes 2.8(d) and 3.1(b) to the Accountant's Report set out in Appendix I to this document for further details.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022, our net impairment losses on financial assets and contract assets amounted to approximately RMB26.8 million, RMB5.1 million, RMB1.3 million and RMB7.3 million, respectively, representing approximately 2.0%, 0.4%, 0.1% and 2.0% of our total revenue for the same periods. Among these, impairment losses recognised on contract assets accounted for approximately 74.4%, 91.5%, 44.9% and 64.5% of our total net impairment losses on financial assets and contract assets for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022, respectively. For the six months ended 30 June 2023, we recorded reversal of impairment losses on financial assets and contract assets of approximately RMB4.3 million.

Our net impairment losses on financial assets and contract assets amounted to approximately RMB26.8 million for the year ended 31 December 2020 was mainly attributable to the impairment losses on contract assets and trade receivables provided for Customer C in relation to Project #25 in aggregate of approximately RMB22.8 million. Given Customer C had financial difficulties in settling our payments due to COVID-19 pandemic, we assessed the credit risk of Customer C at the end of 2020. After considering the status of billings, settlement and information related to the financial conditions of Customer C, we estimated the recoverable amounts for the construction services we provided by recognising an impairment provision against the trade receivables and contract assets from Customer C. We also decided to suspend Project #25 until Customer C could substantially settle the outstanding payments for the construction works we performed. For details on the suspended project, please refer to the section headed "Business — Our projects — Project suspension and delays".

Our net impairment losses on financial assets and contract assets decreased by approximately RMB21.8 million or 81.1% for the year ended 31 December 2021 as compared to the year ended 31 December 2020. Such decrease was mainly attributable to the credit loss allowance of approximately RMB22.8 million was recognised for Customer C in relation to Project #25 for the year ended 31 December 2020. As at 31 December 2021, the loss allowance provision on contract assets and trade receivables of Customer C in relation to Project #25 in aggregate amounted to approximately RMB22.9 million, representing an impairment losses of approximately RMB0.1 million recognised during the year ended 31 December 2021, which is substantially low as compared to the year ended 31 December 2020. The decrease was partially offset by the provision we made in light of the general higher expected loss rate of our customers to reflect the adverse impact of the delay in payments of certain non-state-owned real estate developers and other enterprises engaging in various industries due to the macroeconomic environment in the PRC.

Our net impairment losses on financial assets and contract assets decreased by approximately RMB3.8 million or 75.3% for the year ended 31 December 2022 as compared to the year ended 31 December 2021, which was mainly due to (i) our gross balances of trade and bills receivables as at 31 December 2022 was lower than that as at 31 December 2021; and (ii) the decrease in our impairment losses on contract assets of approximately RMB4.1 million in 2022 due to the high recovery rate of contract assets resulted in the decrease in our expected loss rates for contract assets of Customer C from 88.71% as at 31 December 2021 to 2.21% as at 31 December 2022, in view of our receipt of payment of approximately RMB20.0 million during the second half of 2022. The decrease was partially offset by (i) higher gross balances of contract assets as at 31 December 2022; and (ii) further increase in our expected loss rates of our customers for prudent sake with response to the overall market conditions in the PRC and real estate market.

We recorded reversal of impairment losses on financial assets and contract assets of approximately RMB4.3 million for the six months ended 30 June 2023 as compared to our net impairment losses on financial assets and contract assets of approximately RMB7.3 million for the six months ended 30 June 2022. Such reversal was mainly due to our lower gross balances of trade and bills receivables and contract assets as at 30 June 2023 as compared to 31 December 2022, partially offset by the slight increase in our expected loss rates for trade receivables and contract assets for prudent sake with response to the overall market conditions in the PRC and real estate market.

Finance (costs)/income — net

The following table sets forth our finance income and finance costs for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
Interest income from bank deposits	60	96	148	48	181
Finance costs					
Interest expense on factoring	—	—	(422)	—	(1,366)
Interest expense on bank borrowing	(109)	—	—	—	—
Interest expense on lease liabilities	(114)	(90)	(64)	(35)	(52)
	(223)	(90)	(486)	(35)	(1,418)
Finance (costs)/income — net	(163)	6	(338)	13	(1,237)

Our finance income consists of interest income generated from bank deposits, while our finance costs primarily consist of interest expenses on factoring, bank borrowing and lease liabilities. Our finance costs — net amounted to approximately RMB0.2 million, RMB0.3 million and RMB1.2 million for the years ended 31 December 2020 and 2022 and the six months ended 30 June 2023, respectively, and our finance income — net amounted to approximately RMB6,000 and RMB13,000 for the year ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Income tax (expense)/credit

Our Group is subject to income tax calculated at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction in which companies comprising our Group domicile or operate. Pursuant to the local rules and regulations of the Cayman Islands and the BVI, members of our Group incorporated in the Cayman Islands and the BVI are not subject to any income tax. No provision for Hong Kong profits tax was made as our Group had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period. Pursuant to the EIT Law, the members of our Group which operate in the PRC are subject to EIT at a rate of 25% on their taxable income.

Our income tax expense consist primarily of corporate income tax and movements in deferred income tax assets. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our income tax expense was approximately RMB5.6 million, RMB11.0 million, RMB12.9 million and RMB4.4 million, respectively. For the six months ended 30 June 2022, our income tax credit was approximately RMB0.2 million. Our effective tax rate was approximately 29.4%, 28.2%, 33.8% and 29.2%, respectively for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023. For the six months ended 30 June 2022, we recorded loss before income tax and incurred a tax credit, and thus the effective tax rate is not applicable.

Our Directors have confirmed that as at the Latest Practicable Date, (i) our Group has made all required tax filings under the relevant tax laws and regulations in the PRC and has settled all outstanding tax liabilities due; and (ii) our Group is not subject to any dispute or potential dispute with tax authorities in the PRC.

Profit/(loss) and total comprehensive income/(loss) for the year/period

As a result of the foregoing, we recorded profit for the year of approximately RMB13.6 million, RMB28.1 million and RMB25.3 million for the years ended 31 December 2020, 2021 and 2022, respectively, loss for the period of approximately RMB4.4 million for the six months ended 30 June 2022 and profit for the period of approximately RMB10.8 million for the six months ended 30 June 2023.

Our profit increased by approximately 107.1% from approximately RMB13.6 million for the year ended 31 December 2020 to approximately RMB28.1 million for the year ended 31 December 2021 was mainly attributable to (i) the increase in revenue derived from construction engineering projects for reasons mentioned in the paragraph headed "Discussion on selected items of consolidated income statement — Revenue" in this section; and (ii) the decrease in impairment losses on financial assets and contract assets of approximately RMB21.8 million, partially offset by the increase in administrative expenses of approximately RMB8.2 million during the year.

Our profit decreased by approximately 9.8% from approximately RMB28.1 million for the year ended 31 December 2021 to approximately RMB25.3 million for the year ended 31 December 2022 was mainly attributable to the increase in staff costs and the [REDACTED] of approximately RMB[REDACTED] million and RMB[REDACTED] million, respectively, partially offset by (i) the increase in revenue derived from specialised contracting projects for reasons mentioned in the paragraph headed "Discussion on selected items of consolidated income statement — Revenue" in this section; and (ii) the decrease in net impairment losses on financial assets and contract assets of approximately RMB3.8 million.

We recorded profit for the period of approximately RMB10.8 million for the six months ended 30 June 2023. The improvement as compared to the six months ended 30 June 2022 was mainly due to (i) the increase in revenue derived from construction engineering projects, foundation engineering projects and specialised contracting projects for reasons mentioned in the paragraph headed "Discussion on selected items of consolidated income statement — Revenue" in this section; (ii) the reversal of impairment losses on financial assets and contract assets of approximately RMB4.3 million; and (iii) the decrease in staff costs and the [REDACTED] of approximately RMB[REDACTED] million and RMB[REDACTED] million, respectively.

DISCUSSION ON SELECTED ITEMS OF CONSOLIDATED BALANCE SHEETS

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Plant and equipment	95	225	652	629
Right-of-use assets	1,882	1,465	2,337	1,780
Intangible assets	15,436	13,341	11,246	10,198
Deposits and prepayments	—	—	214	8,736
Deferred income tax assets	9,219	10,561	10,466	9,537
	26,632	25,592	24,915	30,880
Current assets				
Inventories	148	352	304	238
Contract assets	637,725	803,829	1,019,851	967,469
Trade and bills receivables	224,908	268,548	215,383	129,113
Deposits, other receivables and prepayments	48,385	64,425	108,613	92,638
Amounts due from related parties	—	—	47	26
Restricted bank deposits	15,683	14,167	27,977	24,372
Cash and cash equivalents	20,735	41,072	112,117	96,754
	947,584	1,192,393	1,484,292	1,310,610
Current liabilities				
Trade and other payables	741,601	905,141	1,135,520	963,870
Amounts due to related parties	73,588	147,589	11,485	11,832
Contract liabilities	43,188	14,936	21,917	20,813
Current income tax liabilities	14,969	12,114	10,826	5,277
Lease liabilities	917	1,224	1,248	1,286
	874,263	1,081,004	1,180,996	1,003,078
Net current assets	73,321	111,389	303,296	307,532
Total asset less current liabilities	99,953	136,981	328,211	338,412

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities				
Lease liabilities	1,001	388	1,149	563
Net assets	98,952	136,593	327,062	337,849
EQUITY				
Share capital	—	—*(Note)*	9	9
Other reserves	103,696	146,050	314,647	314,647
(Accumulated losses)/retained earnings	(4,744)	(9,457)	12,406	23,193
Total equity	98,952	136,593	327,062	337,849

Note: Below RMB1,000.

Intangible assets

Our intangible assets primarily consist of construction licenses in relation to five construction contracting qualifications. Our intangible assets are stated at cost less accumulated amortisation and impairment losses after initial recognition. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our intangible assets amounted to approximately RMB15.4 million, RMB13.3 million, RMB11.2 million and RMB10.2 million, respectively. The decreases over the Track Record Period were mainly due to amortisation charge during the respective years/period.

Contract assets

Our contract assets represent our right to consideration for work completed at the end of each reporting period before being unconditionally entitled to the consideration under the payment terms as set out in the contracts. Our contract assets are assessed for expected credit losses in accordance with the policy as set out in Note 2.9 to the Accountant's Report in Appendix I to this document. Our contract assets are transferred to receivables when our right to consideration becomes unconditional which usually occurs when we bill our customers.

We recognise revenue over time with input method which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. During the project execution phase, we would submit progress reports to our customers periodically, indicating the volume of work that we have performed. Subject to the certification of work by the independent supervision entity appointed by our customers, we would be entitled to request for progress payments. As stipulated in the construction contracts, our Group is generally entitled to unconditionally bill our customers for approximately 60% to 80% of the total certified value of work performed. Our customers will then confirm the billable value of works completed and arrange the payment to us. The (i) remaining unbilled portion of the work performed; (ii) work performed by us recognised as revenue but not yet submitted to the customers for certification; and (iii) retention money withheld by our customers during the defects liability period will be recognised as contract assets. Our contract assets can only be reclassified to receivables when it becomes unconditional for billing after reaching further milestones, including upon (i) completion of the construction projects; (ii) completion of final settlement audit; (iii) work performed by us were certified by our customers; and (iv) expiration of the defects liability period.

According to the Frost & Sullivan Report, the percentage of performed work that can be billed to customers out of total contract value of work performed is comparable to those of our industry peers and our Group's billing process and the timing of billing were comparable to those of our industry peers on the basis that (i) payments for the construction services are generally made upon achieving key milestones set forth in the construction contracts; and (ii) the industry peers are generally entitled to bill the customers 50% to 90% of the total certified value of work performed during the performance of the construction works. In addition, the general billing time for contract assets in the PRC construction industry ranges from one to six months.

According to the Frost & Sullivan Report, prolonged certification process is common in the construction industry in the PRC mainly due to, among others, (i) careful acceptance by multiple responsible personnel of different parties, especially for large and complex projects or projects obtained from governmental departments and SOEs; (ii) the extended negotiations for final settlement, including determination of scope of works, resolution of quality issues and discussion of adjustments; (iii) the involvement of the customer's management and/or the lengthy internal approval process of the finance department of the customer, in particular for customers from public sector; and (iv) some of the larger and/or complex projects require a longer period of time for inspection, which results in a longer period of time to complete settlement review.

The following table sets forth the breakdown of our contract assets as at the dates indicated:

	As at 31 December			As at
	2020	**2021**	**2022**	**30 June 2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contract assets				
— Work performed but not yet billed	309,924	364,274	387,841	325,934
— Retention receivables	349,471	465,867	658,885	665,256
Less: provision for impairment of contract assets	(21,670)	(26,312)	(26,875)	(23,721)
Contract assets — net	637,725	803,829	1,019,851	967,469

Our contract assets (net of allowance for impairment of contract assets) increased by approximately RMB166.1 million or 26.0% from approximately RMB637.7 million as at 31 December 2020 to approximately RMB803.8 million as at 31 December 2021. Such increase was mainly due to (i) the increase in the quantity of work required for projects undertaken by us which had yet to be certified by the customers; and (ii) Project #87, an ongoing project with high contract value and relatively long project duration, accumulated contract assets since its commencement in July 2019. Such balance, other than the retention money, will only become unconditional for billing after completion of the project and upon the completion of final settlement audit.

Our contract assets (net of allowance for impairment of contract assets) increased by approximately RMB216.0 million or 26.9% from approximately RMB803.8 million as at 31 December 2021 to approximately RMB1,019.9 million as at 31 December 2022. Such increase was mainly due to (i) the construction works of approximately RMB180.4 million in aggregate we conducted for several large-scale projects commenced in 2022, namely Project #237, Project #246, Project #266 and Project #285, which had yet to be certified by the customers as at 31 December 2022; and (ii) several ongoing large-scale projects, namely Project #87, Project #129 and Project #196, which accumulated contract assets of approximately RMB246.4 million in aggregate since the commencement of the projects, representing 24.1% of our contract assets (net of allowance of impairment of contract assets), and we are only entitled to bill most of the settlement value of the projects until the completion of final settlement audit.

Our contract assets (net of allowance for impairment of contract assets) decreased by approximately RMB52.4 million or 5.1% from approximately RMB1,019.9 million as at 31 December 2022 to approximately RMB967.5 million as at 30 June 2023. Such decrease was mainly due to our efforts to follow up on the progress of final settlement audit. For the six months ended 30 June 2023, 78 projects became unconditional for billing after reaching further milestones, of which approximately RMB613.7 million of our contract assets was converted into trade receivables. In addition, we received prepayments from our customers of approximately RMB224.9 million in aggregate for Project #87, Project #129 and Project #273.

Work performed but not yet billed

Work performed but not yet billed represents our right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by our customers on the construction work completed by us and the work is pending for the certification by our customers. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our work performed but not yet billed amounted to approximately RMB309.9 million, RMB364.3 million, RMB387.8 million and RMB325.9 million, representing approximately 47.0%, 43.9%, 37.1% and 32.9% of our contract assets, respectively. The following table sets forth the aging analysis of our work performed but not yet billed based on recognition date as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	277,403	324,554	330,559	165,581
6 months to 12 months	12,569	10,232	19,365	120,793
Over 12 months	19,952	29,488	37,917	39,560
	309,924	364,274	387,841	325,934

Retention receivables

Retention receivables represents (i) the amount of work performed withheld by our customers on each payment based on a prescribed percentage of the contract value and would become unconditional for billing after reaching further milestones; and (ii) the retention monies to be released upon expiry of the defects liability period. The progress billable amount is usually based on a progress billable percentage, generally ranging from 60% to 80%, of the total certified value of work performed, as stipulated in the relevant construction contracts. The total amount we are entitled to make billing to our customers (on an accumulative basis) is generally up to 95% to 97% of the final settlement value after the completion and acceptance of the project. Approximately 3% to 5% of the final settlement value will be retained by our customers as retention money and will be paid to us upon expiration of the defects liability period. Further details on our contract terms are set out in the section headed "Business — Customers, sales and marketing — Salient terms of typical sales agreements with our customers" in this document. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our retention receivables amounted to approximately RMB349.5 million, RMB465.9 million, RMB658.9 million and RMB665.3 million, representing approximately 53.0%, 56.1%, 62.9% and 67.1% of our contract assets, respectively. The following table sets forth the aging analysis of our retention receivables based on recognition date as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	294,790	313,684	396,374	430,008
Over 1 year	54,681	152,183	262,511	235,248
	349,471	465,867	658,885	665,256

The following table sets forth the aging analysis of our contract assets based on recognition date as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	584,761	648,471	746,298	716,381
1 year to 2 years	71,297	148,075	179,628	165,515
Over 2 years	3,337	33,595	120,800	109,294
	659,395	830,141	1,046,726	991,190

As at the Latest Practicable Date, approximately 13.6%, 22.1% and 55.7% of our contract assets (amounting to approximately RMB89.6 million, RMB183.1 million and RMB583.5 million) as at 31 December 2020, 2021 and 2022 have not been converted into trade receivables, among which, approximately RMB74.3 million, RMB128.7 million and RMB382.5 million (representing approximately 82.9%, 70.3% and 65.6% of the total unconverted contract assets) are expected to be converted into trade receivables by the end of 2023, respectively, and the remaining outstanding balances are expected to be converted into trade receivables by the end of 2024. Such estimation was made by our Directors primarily based on (i) the historical conversion records of the contract assets during the Track Record Period; (ii) the latest status and progress of our existing projects; and (iii) our verbal communications with our customers for certain large-scale projects. To the best knowledge, information and belief of our Directors, such unconverted contract assets were mainly attributable to the following projects:

(i) Project #87, the largest contract value project, and Project #285 undertaken by us for Huizhou Xingsheng Century Investment Co., Ltd.* (惠州市興盛世紀投資有限公司) ("**Huizhou Xingsheng**") in Huizhou. The aggregate contract assets for Project #87 and Project #285 amounted to approximately RMB119.5 million, RMB250.5 million, RMB115.0 million and RMB122.7 million, representing approximately 18.1%, 30.2%, 11.0% and 12.4% of our contract assets as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. As at the Latest Practicable Date, Project #87 and Project #285 have not yet been completed. The certified amount of contract assets for Project #87 and Project #285 are expected to be converted to trade receivables upon fulfillment of the milestones. From the commencement of Project #87 and Project #285 and up to the Latest Practicable Date, approximately RMB682.4 million was certified by Huizhou Xingsheng for abovementioned projects.

(ii) Several projects, namely Project #19, Project #94 and Project #129, undertaken by us for Customer Group A. The aggregate contract assets for such projects amounted to approximately RMB157.0 million, RMB168.0 million, RMB125.0 million and RMB79.9 million, representing approximately 23.8%, 20.2%, 11.9% and 8.1% of our contract assets as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. As at the Latest Practicable Date, except for Project #129, the aforementioned projects have been completed. The amount of contract assets for the aforementioned projects is expected to be converted to trade receivables upon fulfillment of the milestones. From the commencement of the aforementioned projects and up to the Latest Practicable Date, approximately RMB684.5 million was certified by Customer Group A for the aforementioned projects.

(iii) Project #196 undertaken by us for Customer E. The contract assets for Project #196 amounted to approximately nil, RMB21.5 million, RMB126.9 million and RMB104.8 million, representing approximately nil, 2.6%, 12.1% and 10.6% of our contract assets as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. As at the Latest Practicable Date, Project #196 has not yet been completed. The certified amount of contract assets for Project #196 is expected to be converted to trade receivables upon fulfillment of the milestones. From the commencement of Project #196 and up to the Latest Practicable Date, approximately RMB141.6 million was certified by Customer E for the project.

(iv) Project #177 and Project #237, one of our major projects, undertaken by us for Shenzhen 5297 Investment Development Co., Ltd.* (深圳市五二九七投資發展有限公司) ("**Shenzhen 5297**"). The contract assets for such projects amounted to approximately nil, RMB14.4 million, RMB43.7 million and RMB52.1 million, representing approximately nil, 1.7%, 4.2% and 5.3% of our contract assets as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. As at the Latest Practicable Date, Project #237 has not yet been completed. The certified amount of contract assets for Project #177 and Project #237 are expected to be converted to trade receivables upon fulfillment of the milestones. From the commencement of Project #177 and Project #237 and up to the Latest Practicable Date, approximately RMB189.6 million was certified by Shenzhen 5297 for the projects.

(v) Several projects, namely Project #103, Project #105, Project#107, Project #135, Project #157, Project #162, Project #163, Project #246, Project #249 and Project #288, undertaken by us for Customer Group D. The aggregate contract assets for such projects amounted to approximately RMB9.0 million, RMB18.0 million, RMB64.4 million and RMB69.9 million, representing approximately 1.4%, 2.2%, 6.2% and 7.0% of our contract assets as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. As at the Latest Practicable Date, except for Project #246, Project #249 and Project #288, the aforementioned projects have been completed. The amount of contract assets for the aforementioned projects is expected to be converted to trade receivables upon fulfillment of the milestones. From the commencement of the aforementioned projects and up to the Latest Practicable Date, approximately RMB305.6 million was certified by Customer Group D for the aforementioned projects.

(vi) Project #240 and Project #266, undertaken by us for Customer F. The aggregate contract assets for such projects amounted to approximately nil, nil, RMB49.9 million and RMB41.5 million, representing approximately nil, nil, 4.8% and 4.2% of our contract assets as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. As at the Latest Practicable Date, Project #266 has not yet been completed. The amount of contract assets for the aforementioned projects is expected to be converted to trade receivables upon fulfillment of the milestones. From the commencement of the aforementioned projects and up to the Latest Practicable Date, approximately RMB135.8 million was certified by Customer F for the aforementioned projects.

In accordance with the payment terms of the respective contracts of the aforementioned projects, we are entitled to unconditionally bill the customer for a certain percentage of the certified value of work performed while the remaining portion would only become unconditionally billable to the customer at a later time upon fulfillment of certain milestone(s) (e.g. completion of the project or expiry of the defects liability period). Our Directors are not aware of any issue which will materially affect the conversion of the unconverted contracts assets disclosed above into trade receivables in the future and expect that approximately 82.9%, 70.3% and 65.6% of our unconverted contract assets as at 31 December 2020, 2021 and 2022 would be converted into trade receivables by 2023; in light of the certification history of our customers. Further, after making due and careful enquries, our Directors expect that a majority of such contract assets would be converted into trade receivables by 2024.

During the Track Record Period, to the best knowledge of our Directors, there was no material disputes or disagreements on the construction progress estimated by us and that certified by the respective customers.

Our Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all contract assets. The expected loss rates are determined based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institutions, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Our Group has primarily identified the consumer price index and broad money supply under China M2 Money Supply in the PRC to be the relevant macroeconomic factors for the purpose of assessing forward looking information, and accordingly adjusts the loss rates based on expected changes in those factors. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our loss allowance on contract assets amounted to approximately RMB21.7 million, RMB26.3 million, RMB26.9 million and RMB23.7 million, representing approximately 3.3%, 3.2%, 2.6% and 2.4% of our contract assets, respectively. For further details on impairment of contract assets, please refer to Note 3.1(b)(ii) to the Accountant's Report set out in Appendix I to this document.

The following table sets forth the turnover days of our contract assets during the Track Record Period:

	Year ended 31 December			Six months ended
	2020	**2021**	**2022**	**30 June 2023**
Contract assets turnover days*(Note)*	146.9	201.9	248.6	372.0

Note: Contract assets turnover days are calculated based on the average of beginning and ending contract assets balance for the year/period divided by revenue for the year/period and multiplying by the number of days in the year/period.

Our contract assets turnover days increased by approximately 55.0 days from approximately 146.9 days for the year ended 31 December 2020 to approximately 201.9 days for the year ended 31 December 2021, and further increased by approximately 46.7 days to approximately 248.6 days for the year ended 31 December 2022. The increase was generally in line with the increase in balance of contract assets, in particular the increase in our retention receivables. We recorded higher turnover days for contract assets of approximately 372.0 days for the six months ended 30 June 2023, which was mainly attributable to a lower level of construction activities during the first quarter of the year due to seasonality factor, which led to a lower level of revenue recognised during the first half of the year.

Up to the Latest Practicable Date, approximately RMB141.4 million or 14.3% of our contract assets as at 30 June 2023 had been subsequently transferred to trade receivables upon billing.

Trade and bills receivables

The following table sets forth the breakdown of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at
	2020	**2021**	**2022**	**30 June 2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables	226,542	276,162	193,348	132,672
Less: allowance for impairment of trade receivables	(7,234)	(7,614)	(5,974)	(5,059)
Trade receivables — net	219,308	268,548	187,374	127,613
Bills receivables	5,600	—	28,009	1,500
	224,908	268,548	215,383	129,113

Trade receivables

Our trade receivables represent outstanding balances due from our customers in relation to certified work performed by us and billings raised to our customers but not yet settled. In general, the increase in trade receivables balance which outpaced the increase in revenue over the Track Record Period was mainly due to (i) the receivables resulted from public sector projects accounted for approximately 72.1%, 59.6% 81.8% and 66.6% of our trade receivables as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively; and (ii) the receivables from several sizeable private sector projects, namely Project #19, Project #87, Project #94 and Project #129, which in aggregate accounted for approximately 25.0%, 37.5% 12.2% and 20.0% of our trade receivables at the end of the same period, respectively. Having considered that (i) customers from public sector generally have longer settlement periods as they generally have onerous internal settlement procedures and are not able to settle the sum owed in time; (ii) several customers from private sector have longer settlement periods due to the temporary effect caused by COVID-19 pandemic on the general economic conditions in the PRC; and (iii) their respective continuous settlement history, financial conditions and creditworthiness, we consider the outstanding amounts are recoverable in the future.

Our trade receivables (net of allowance for impairment of trade receivables) increased by approximately RMB49.2 million or 22.5% from approximately RMB219.3 million as at 31 December 2020 to approximately RMB268.5 million as at 31 December 2021. Such increase was mainly due to (i) a greater portion of works of several large-scale projects was certified by our customers during the year ended 31 December 2021; and (ii) a number of projects had completed their final settlement audit such that a larger amount of contract assets was converted to trade receivables, which was partially offset by the settlement of certain construction projects.

Our trade receivables (net of allowance for impairment of trade receivables) decreased by approximately RMB81.2 million or 30.2% from approximately RMB268.5 million as at 31 December 2021 to approximately RMB187.4 million as at 31 December 2022 and further decreased by approximately RMB59.8 million or 31.9% to approximately RMB127.6 million as at 30 June 2023. Such decrease was mainly due to our continued efforts to improve trade receivable collections and faster payment of our customers as a result of the recovery from the negative impact of COVID-19.

The following table sets forth the aging analysis of our trade receivables, based on invoice date, as at the dates indicated:

	As at 31 December			As at 30 June 2023
	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	221,125	226,145	124,373	108,690
1 year to 2 years	5,417	49,157	32,596	16,622
Over 2 years	—	860	36,379	7,360
	226,542	276,162	193,348	132,672

The following table sets forth the aging analysis of our trade receivables, based on due dates, as at the dates indicated:

	As at 31 December			As at 30 June 2023
	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000
Not past due	25,269	56,808	42,821	31,002
Within 1 year	197,124	169,315	81,798	77,691
1 year to 2 years	4,149	49,941	32,397	16,619
Over 2 years	—	98	36,332	7,360
	226,542	276,162	193,348	132,672

Our project periods generally range from approximately one month to three years, and depending on their scale and complexity of the projects. In determining the applicable credit terms, we perform credit evaluation on each customer with reference to various factors including our past business relationship with them, payment history, reputation, financial strength and our evaluation on their future operation risk. We usually allows our customers to settle the billed amounts within one month. As at 31 December 2020, 2021 and 2022 and 30 June 2023, approximately 100.0%, 100.0%, 75.9% and 92.8% of our overdue trade receivables were aged less than two years, respectively. Our overdue trade receivables aged less than two years at the end of each period were mainly receivables from our customers, being government departments, SOEs or market leaders in their respective industries, which generally have good payment ability and continuous settlement record. We believe the risk of not being able to recover the relevant trade receivables aged less than two years is relatively low based on our evaluation of the credit records of and our business relationships with these customers.

Our trade receivables as at 31 December 2022 in general aged longer than that of as at 31 December 2021. The percentage of amount of trade receivables that were past due over two years to the aggregate amount of trade receivables increased from approximately 0.3% as at 31 December 2021 to approximately 18.8% as at 31 December 2022, mainly due to the trade receivables from a SOE, namely CCCC Fourth Harbor Engineering Co., Ltd.* (中交第四航務工程局有限公司), which has onerous internal settlement procedures and thus would take a longer time for them to settle trade receivables due, leading to the overall longer ageing pattern of CCCC Fourth Harbor Engineering Co., Ltd.* (中交第四航務工程局有限公司).

The percentage of amount of trade receivables that were past due over two years to the aggregate amount of trade receivables dropped from approximately 18.8% as at 31 December 2022 to approximately 5.5% as at 30 June 2023, mainly due to the repayment of a substantial portion of our long-outstanding trade receivables from our customers. In particular, the trade receivables that aged over two years as at 31 December 2022 for Project #96 undertaken by us for CCCC Fourth Harbor Engineering Co., Ltd.* (中交第四航務工程局有限公司) of approximately RMB34.7 million have been settled by 30 June 2023.

Our Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The expected loss rates are determined based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institutions, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Our Group has primarily identified the consumer price index and broad money supply under China M2 Money Supply in the PRC to be the relevant macroeconomic factors for the purpose of assessing forward looking information, and accordingly adjusts the loss rates based on expected changes in those factors. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our loss allowance on trade receivables amounted to approximately RMB7.2 million, RMB7.6 million, RMB6.0 million and RMB5.1 million, representing approximately 3.2%, 2.8%, 3.1% and 3.8% of gross trade receivables, respectively. For further details on impairment of trade receivables, please refer to Note 3.1(b)(ii) to the Accountant's Report set out in Appendix I to this document.

Our Directors confirmed that we had not experienced any material default in payment of any trade or non-trade payables and borrowings when they become due nor had we breached any covenants during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirmed that we had no material covenant and undertakings in relation to outstanding debts, guarantees or other contingent obligations.

The following table sets forth the turnover days of our trade receivables during the Track Record Period:

	Year ended 31 December			Six months ended
	2020	**2021**	**2022**	**30 June 2023**
Trade receivables turnover days *(Note)*	43.6	68.1	62.2	59.5

Note: Trade receivables turnover days are calculated based on the average of beginning and ending trade receivables balance for the year/period divided by revenue for the year/period and multiplying by the number of days in the year/period.

Our trade receivables turnover days increased by approximately 24.5 days from approximately 43.6 days for the year ended 31 December 2020 to approximately 68.1 days for the year ended 31 December 2021. Such increase was generally in line with the increase in balance of trade receivables during the year as we were entitled to bill a larger amount of contract assets. We recorded a lower trade receivables turnover days of 62.2 days and 59.5 days for the year ended 31 December 2022 and six months ended 30 June 2023, respectively, as we improved our trade receivable collection progress.

Up to the Latest Practicable Date, approximately RMB23.6 million or 17.8% of our trade receivables as at 30 June 2023 had been subsequently settled.

Bills receivables

Our bills receivables represent bank acceptance bills received for payments from our customers. As at 31 December 2020, 2021 and 2022 and 30 June 2023, we recorded bill receivables of approximately RMB5.6 million, nil, RMB28.0 million and RMB1.5 million, respectively.

Deposits, other receivables, prepayments and amounts due from related parties

The following table sets forth the breakdown of our deposits, other receivables, prepayments and amounts due from related parties as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	40,589	51,981	65,084	80,759
Prepayments for [REDACTED]	—	[REDACTED]	[REDACTED]	[REDACTED]
Prepayment for purchase of a property	—	—	—	8,426
Deposits	3,195	4,396	41,497	7,955
Amounts due from other third parties	4,643	4,516	601	1,693
Bank deposits restricted for use under court orders	—	1,731	—	—
Amounts due from related parties	—	—	47	26
Less: allowance for impairment of other receivables	(42)	(95)	(2,426)	(2,215)
Total	48,385	64,425	108,874	101,400
Less: non-current portion	—	—	(214)	(8,736)
Current portion	48,385	64,425	108,660	92,664

Our prepayments to suppliers amounted to approximately RMB40.6 million, RMB52.0 million, RMB65.1 million and RMB80.8 million, as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively, mainly represented the prepayments made to our suppliers for purchasing raw materials.

Our deposits represented (i) tender deposits provided at the time of bidding our target projects, which would usually be released when the result of the tendering was announced; and (ii) guarantee deposits provided when we successfully bid on a construction project. The amount of deposits was determined on a project-by-project basis depending on the tender terms and contract value. Our deposits amounted to approximately RMB3.2 million, RMB4.4 million RMB41.5 million and RMB8.0 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. Our deposits as at 31 December 2022 increased as compared to that of as at 31 December 2021 mainly due to our payment of tender deposit of approximately RMB32.0 million for our target project. Such tender deposit has been refunded to us in January 2023 following the publication of the tender result.

Our amount due from other third parties amounted to approximately RMB4.6 million, RMB4.5 million, RMB0.6 million and RMB1.7 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively, mainly represented the advances to other third parties for project preparation including prepare the necessary resources and manpower required for the construction project.

Trade and other payables

The following table sets forth the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	724,170	891,789	1,091,566	926,100
Other payables and accruals	17,431	13,352	43,954	37,770
	741,601	905,141	1,135,520	963,870

Trade payables

Our trade payables represent outstanding balances due to our suppliers for the purchases of raw materials and provision of services.

Our trade payables increased by approximately RMB167.6 million or 23.1% from approximately RMB724.2 million as at 31 December 2020 to approximately RMB891.8 million as at 31 December 2021. Such increase was mainly due to the increase in trade receivables which restricted our cash flow and limited our ability to settle trade payables. As part of our cashflow management, we generally assess the status of settlement of our trade receivables from our customers and our liquidity position before making payments to our suppliers.

Our trade payables increased by approximately RMB199.8 million or 22.4% from approximately RMB891.8 million as at 31 December 2021 to approximately RMB1,091.6 million as at 31 December 2022. Such increase was mainly attributable to (i) the amount due to Supplier B of approximately RMB41.2 million; (ii) the increase in amounts due to Shenzhen Hangshunxin Trading Co., Ltd.* (深圳市航順鑫貿易有限公司) of approximately RMB25.6 million, a supplier of steel for our construction projects; (iii) the increase in amounts due to Supplier E of approximately RMB21.7 million, a construction materials supplier for Project #87; and (iv) the increase in amounts due to Supplier J of approximately RMB18.3 million, a labour subcontractor for Project #196, partially offset by the decrease in amounts due to Supplier A of approximately RMB97.3 million.

Our trade payables decreased by approximately RMB165.5 million or 15.2% from approximately RMB1,091.6 million as at 31 December 2022 to approximately RMB926.1 million as at 30 June 2023. Such decrease was mainly due to a lower level of purchases during the first half of the year as a result of a lower level of construction activities during the first quarter of the year due to seasonality factor.

The following table sets forth the aging analysis of our trade payables, based on invoice date, as at the dates indicated:

	As at 31 December			As at
	2020	**2021**	**2022**	**30 June 2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 year	560,709	707,449	648,196	451,911
1 year to 2 years	153,860	160,056	337,764	349,744
Over 2 years	9,601	24,284	105,606	124,445
	724,170	891,789	1,091,566	926,100

The following table sets forth the turnover days of our trade payables during the Track Record Period:

	Year ended 31 December			Six months ended
	2020	**2021**	**2022**	**30 June 2023**
Trade payables turnover days*(Note)*	169.8	231.3	278.6	390.8

Note: Trade payables turnover days are calculated based on the average of beginning and ending trade payables balance for the year/period divided by the cost of revenue for the year/period and multiplying by the number of days in the year/period.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, our trade payables turnover days were approximately 169.8 days, 231.3 days, 278.6 days and 390.8 days, respectively. Such increase is in line with the changes of aggregate trade receivables and contract assets turnover days during the relevant year/period as we will adjust our payment schedules to suppliers depending on the status of settlement of our trade receivables and our liquidity position. We recorded higher trade payables turnover days of approximately 390.8 days for the six months ended 30 June 2023, which was mainly attributable to a lower level of construction activities during the first quarter of the year due to seasonality factor, which led to a lower level of cost of revenue incurred during the first half of the year.

Up to the Latest Practicable Date, approximately RMB55.9 million or 6.0% of our trade payables as at 30 June 2023 had been subsequently settled.

Other payables and accruals

Our other payables and accruals mainly consist of [REDACTED] payables, employee benefits accruals, accrued taxes and surcharges, advance from a customer and other operating expenses payables and accruals. The following table sets forth the breakdown of our other payables as at the dates indicated:

	As at 31 December			As at 30 June 2023
	2020	**2021**	**2022**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Accrued taxes and surcharges	9,412	3,602	34,233	26,982
Employee benefits accruals	2,559	4,136	3,852	3,503
Advance from a customer	3,000	3,000	3,000	3,000
[REDACTED] payables	—	[REDACTED]	[REDACTED]	[REDACTED]
Other operating expenses payables and accruals	2,460	1,134	1,202	487
	17,431	13,352	43,954	37,770

Our accrued taxes and surcharges mainly represented value-added tax payable. Our accrued taxes and surcharges increased significantly from approximately RMB3.6 million as at 31 December 2021 to approximately RMB34.2 million as at 31 December 2022, mainly due to increase in output VAT payable resulted from the increase in revenue in the second half of 2022 which had not been settled as at 31 December 2022.

Advances from a customer of approximately RMB3.0 million represented guarantee deposits for settlement of wages of peasant labours paid by a customer to one of our designated bank accounts. Such advance was unsecured, interest free and would be settled when the project completed.

Amounts due to related parties

Our amounts due to related parties amounted to approximately RMB73.6 million, RMB147.6 million, RMB11.5 million and RMB11.8 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively, mainly represented (i) funds advanced by Mr. Xian and Mr. Sang; and (ii) [REDACTED] paid by Zhongshen Hengtai on behalf of our Group. For details, please refer to Note 27 to the Accountant's Report set out in Appendix I to this document. All balances were non-trade in nature, unsecured, interest-free and repayable on demand. All outstanding balances of amounts due to related parties will be capitalised upon or immediately before [REDACTED].

Contract liabilities

Our contract liabilities represent our obligation to provide services to customers for which we have received the advance consideration from the customers. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our contract liabilities amounted to approximately RMB43.2 million, RMB14.9 million, RMB21.9 million and RMB20.8 million, respectively.

Such fluctuation over the Track Record Period was primarily due to the difference in payment terms of different projects as our Group negotiated the advance payment arrangement with our customers on a case-by-case basis.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

As at 31 December 2020, 2021 and 2022 and 30 June 2023, we had cash and cash equivalents of approximately RMB20.7 million, RMB41.1 million, RMB112.1 million and RMB96.8 million, respectively. Our primary uses of cash were mainly for financing our daily operations and working capital requirements in relation to the execution of our projects, including payment for procurement of raw materials and subcontracting costs. Upon completion of the [REDACTED], we expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we will have additional funds from [REDACTED] of the [REDACTED] for implementing our future plans as detailed in "Future plans and [REDACTED]" in this document.

The following table sets forth a selected summary of our consolidated statement of cash flows for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating profits before working capital changes	49,252	47,483	43,370	4,316	14,136
Changes in working capital	(64,557)	(93,336)	17,727	(2,978)	(9,858)
Income tax paid	(8,677)	(15,216)	(14,130)	(7,565)	(9,061)
Net cash (used in)/generated from operating activities	(23,982)	(61,069)	46,967	(6,227)	(4,783)
Net cash generated from/(used in) investing activities	6,506	(174)	(578)	(13)	(8,461)
Net cash generated from/(used in) financing activities	26,620	81,576	24,560	22,906	(2,101)
Net increase/(decrease) in cash and cash equivalents	9,144	20,333	70,949	16,666	(15,345)
Cash and cash equivalents at beginning of year/period	11,591	20,735	41,072	41,072	112,117
Exchange differences on cash and cash equivalents	—	4	96	39	(18)
Cash and cash equivalents at end of the year/period	20,735	41,072	112,117	57,777	96,754

Net cash (used in)/generated from operating activities

For the year ended 31 December 2020, we recorded net cash used in operating activities of approximately RMB24.0 million, which was mainly attributable to (i) the increase in contract assets of approximately RMB246.9 million; and (ii) the increase in trade and bills receivables of approximately RMB141.0 million, partially offset by (i) the increase in trade and other payables of approximately RMB278.3 million; and (ii) the operating profit before working capital changes of approximately RMB49.3 million.

For the year ended 31 December 2021, we recorded net cash used in operating activities of approximately RMB61.1 million, which was mainly attributable to (i) the increase in contract assets of approximately RMB170.7 million; and (ii) the increase in trade and bills receivables of approximately RMB44.0 million, partially offset by the increase in trade and other payables of approximately RMB163.5 million.

For the year ended 31 December 2022, we recorded net cash generated from operating activities of approximately RMB47.0 million, which was mainly attributable to (i) the increase in trade and other payables of approximately RMB230.4 million; (ii) the decrease in trade and bills receivables of approximately RMB54.8 million, partially offset by (i) the increase in contract assets of approximately RMB216.6 million; and (ii) the increase in deposits, other receivables and prepayments of approximately RMB44.1 million.

For the six months ended 30 June 2023, we recorded net cash used in operating activities of approximately RMB4.8 million, which was mainly attributable to the decrease in trade and other payables of approximately RMB171.7 million, partially offset by (i) the decrease in trade and bills receivables of approximately RMB87.2 million; (ii) the decrease in the increase in contract assets of approximately RMB55.5 million; and (iii) the decrease in deposits, other receivables and prepayments of approximately RMB16.5 million.

Net cash generated from/(used in) investing activities

For the year ended 31 December 2020, we recorded net cash generated from investing activities of approximately RMB6.5 million, which was mainly attributable to the repayment from related parties of approximately RMB7.5 million; and partially offset by the purchases of intangible assets of approximately RMB0.9 million.

For the year ended 31 December 2021, we recorded net cash used in investing activities of approximately RMB0.2 million, which was mainly attributable to the purchases of property, plant and equipment of approximately RMB0.2 million.

For the year ended 31 December 2022, we recorded net cash used in investing activities of approximately RMB0.6 million, which was primarily attributable to the purchases of property, plant and equipment of approximately RMB0.5 million and the advances to related parties of approximately RMB47,000.

For the six months ended 30 June 2023, we recorded net cash used in investing activities of approximately RMB8.5 million, which was mainly attributable to the purchases of property, plant and equipment of approximately RMB8.5 million.

Net cash generated from/(used in) financing activities

For the year ended 31 December 2020, we recorded net cash generated from financing activities of approximately RMB26.6 million, which was mainly attributable to contributions from shareholders in cash of approximately RMB41.5 million; and partially offset by (i) the repayment to related parties of approximately RMB11.2 million; and (ii) the repayment of bank borrowing of approximately RMB2.6 million.

For the year ended 31 December 2021, we recorded net cash generated from financing activities of approximately RMB81.6 million, which was mainly attributable to (i) the advances from related parties of approximately RMB74.0 million; and (ii) the contributions from shareholders in cash of approximately RMB9.6 million.

For the year ended 31 December 2022, we recorded net cash generated from financing activities of approximately RMB24.6 million, which was mainly attributable to (i) the contributions from shareholders in cash of approximately RMB22.4 million; (ii) the advances from related parties of approximately RMB6.6 million, partially offset by the [REDACTED] paid of approximately RMB[REDACTED] million.

For the six months ended 30 June 2023, we recorded net cash used in financing activities of approximately RMB2.1 million, which was mainly attributable to the interest paid of approximately RMB1.4 million and the payment of principal elements of lease liabilities of approximately RMB0.6 million, and partially offset by the advances from related parties of approximately RMB0.3 million.

Net current assets

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at
	2020	**2021**	**2022**	**30 June 2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current assets				
Inventories	148	352	304	238
Contract assets	637,725	803,829	1,019,851	967,469
Trade and bills receivables	224,908	268,548	215,383	129,113
Deposits, other receivables and prepayments	48,385	64,425	108,613	92,638
Amounts due from related parties	—	—	47	26
Restricted bank deposits	15,683	14,167	27,977	24,372
Cash and cash equivalents	20,735	41,072	112,117	96,754
	947,584	1,192,393	1,484,292	1,310,610
Current liabilities				
Trade and other payables	741,601	905,141	1,135,520	963,870
Amounts due to related parties	73,588	147,589	11,485	11,832
Contract liabilities	43,188	14,936	21,917	20,813
Current income tax liabilities	14,969	12,114	10,826	5,277
Lease liabilities	917	1,224	1,248	1,286
	874,263	1,081,004	1,180,996	1,003,078
Net current assets	73,321	111,389	303,296	307,532

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. The increase was 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, which was 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.

Our net current assets increased from approximately RMB111.4 million as at 31 December 2021 to approximately RMB303.3 million as at 31 December 2022. The increase was 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, which was 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.

Our net current assets increased from approximately RMB303.3 million as at 31 December 2022 to approximately RMB307.5 million as at 30 June 2023. The increase was primarily due to the decrease in trade and other payables of approximately RMB171.7 million, which was partially offset by (i) the decrease in 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..

Working capital sufficiency

Our Directors confirm that, taking into account the financial resources presently available to our Group, including our internal resources and the estimated [REDACTED] of the [REDACTED] and the capitalisation of amounts due to related parties upon or immediately before the [REDACTED], in the absence of unforeseen circumstances, our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

INDEBTEDNESS

The following table sets forth the components of our indebtedness as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Amounts due to related parties	73,588	147,589	11,485	11,832
Lease liabilities	917	1,224	1,248	1,286
	74,505	148,813	12,733	13,118
Non-current liabilities				
Lease liabilities	1,001	388	1,149	563
	75,506	149,201	13,882	13,681

Save for the borrowings aforementioned, during the Track Record Period and up to 30 June 2023, being the latest practicable date for the purpose of this indebtedness statement, we did not have any other bank borrowing or banking facilities. Our Directors confirmed that they are not aware of any foreseeable problem in obtaining facilities for our business should the need arises, having considered our Group is financially healthy in general.

As at 30 June 2023, our Group committed to pay outstanding balance of approximately RMB33.7 million pursuant to a purchase agreement whereby our Group agrees to acquire a commercial property, save as aforesaid or as otherwise disclosed herein, our Group did not have outstanding mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into off balance sheet commitment and arrangements.

CAPITAL EXPENDITURES AND COMMITMENTS

Our Group incurred capital expenditures of approximately RMB98,000, RMB0.2 million, RMB0.5 million and RMB8.5 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. The majority of these capital expenditures were related to purchases of property, plant and equipment and were mainly funded through our internal resources. As at 31 December 2020, 2021 and 2022 and 30 June 2023, save for the outstanding balance of approximately RMB33.7 million pursuant to a purchase agreement whereby our Group agrees to acquire a commercial property, we had no significant capital commitments.

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]	1.1 times	1.1 times	1.3 times	1.3 times
Quick ratio[2]	1.1 times	1.1 times	1.3 times	1.3 times
Gearing ratio[3]	N/A	N/A	N/A	N/A
Debt to equity ratio[4]	Net cash	Net cash	Net cash	Net cash

	Year ended 31 December			Six months ended
	2020	2021	2022	30 June 2023
Net profit margin[5]	1.0%	2.1%	1.8%	2.2%
Return on equity[6]	13.7%	20.6%	7.7%	N/A[8]
Return on assets[7]	1.4%	2.3%	1.7%	N/A[8]

Notes:

(1) Current ratio is calculated based on total current assets divided by total current liabilities as at the relevant year/period end.

(2) Quick ratio represents current assets (net of inventories) divided by total current liabilities as at the relevant year/period end.

(3) Gearing ratio is calculated based on total debt divided by total equity as at the relevant year/period end and multiplied by 100%. Total debt represents total interest-bearing debts, which comprises bank borrowing.

(4) Debt to equity ratio represents net debt (being total debt net of cash and cash receivable) divided by total equity as at the relevant year/period end and multiplied by 100%.

(5) Net profit margin is calculated by dividing profit for the year/period by revenue as at the relevant year/period end and multiplied by 100%.

(6) Return on equity is calculated by profit for the year divided by the total shareholders' equity as at the relevant year end and multiplied by 100%.

(7) Return on assets is calculated by profit for the year divided by the total assets as at the relevant year end and multiplied by 100%.

(8) Return on assets and return on equity are calculated on a full year basis.

Current ratio

Our current ratio remained stable at approximately 1.1 times, 1.1 times, 1.3 times and 1.3 times as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

Quick ratio

As at 31 December 2020, 2021 and 2022 and 30 June 2023, our quick ratio remained stable at approximately 1.1 times, 1.1 times, 1.3 times and 1.3 times, respectively.

Gearing ratio

We did not have any outstanding debt as at 31 December 2020, 2021 and 2022 and 30 June 2023.

Debt to equity ratio

We maintained a net cash position as at 31 December 2020, 2021 and 2022 and 30 June 2023. As such, debt to equity ratio is not applicable to our Group.

Net profit margin

Our net profit margin increased from approximately 1.0% for the year ended 31 December 2020 to approximately 2.1% for the year ended 31 December 2021 primarily due to the improvement in our net profit by approximately 107.1%, which was mainly attributable to (i) the decrease in net impairment losses on financial assets and contract assets; and (ii) the increase in gross profit margin from approximately 5.0% for the year ended 31 December 2020 to approximately 5.3% for the year ended 31 December 2021 for reasons discussed in the paragraph headed "Gross profit and gross profit margin" in this section.

Our net profit margin decreased from approximately 2.1% for the year ended 31 December 2021 to approximately 1.8% for the year ended 31 December 2022 primarily due to the decrease in our net profit by approximately 9.8%, which was mainly attributable to the increase in staff costs and the [REDACTED] of approximately RMB[REDACTED] million and RMB[REDACTED] million, respectively. Such decrease was partially offset by (i) the decrease in impairment losses on financial assets and contract assets of approximately RMB3.8 million for the year ended 31 December 2022; and (ii) the increase in gross profit margin from approximately 5.3% for the year ended 31 December 2021 to approximately 5.7% for the year ended 31 December 2022 for reasons discussed in the paragraph headed "Gross profit and gross profit margin" in this section.

Our net profit margin increased from approximately 1.8% for the year ended 31 December 2022 to approximately 2.2% for the six months ended 30 June 2023 primarily due to the reversal of impairment losses on financial assets and contract assets of approximately RMB4.3 million for the six months ended 30 June 2023, partially offset by the decrease in gross profit as a result of a lower level of construction activities during the first quarter of the year due to seasonality factor, which led to a lower level of revenue recognised during the first half of the year.

Return on equity

Our return on equity increased from approximately 13.7% for the year ended 31 December 2020 to approximately 20.6% for the year ended 31 December 2021, primarily due to the improvement in our net profit by approximately 107.1% for reasons mentioned above.

Our return on equity decreased from approximately 20.6% for the year ended 31 December 2021 to approximately 7.7% for the year ended 31 December 2022, primarily due to the increase in other reserves from approximately RMB146.5 million as at 31 December 2021 to approximately RMB314.6 million as at 31 December 2022 as a result of the amounts due to shareholders of approximately RMB143.9 million has been capitalised, and the decrease in our net profit by approximately 9.8% for reasons mentioned above.

Return on assets

Our return on assets increased from approximately 1.4% for the year ended 31 December 2020 to approximately 2.3% for the year ended 31 December 2021, primarily due to the improvement in our net profit by approximately 107.1% for reasons mentioned above.

Our return on assets decreased from approximately 2.3% for the year ended 31 December 2021 to approximately 1.7% for the year ended 31 December 2022, primarily due to the increase in our total assets from approximately RMB1,218.0 million as at 31 December 2021 to approximately RMB1,509.2 million and the decrease in our net profit by approximately 9.8% for reasons mentioned above.

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.

MATERIAL ADVERSE CHANGES

Our Directors confirm that, save for the estimated non-recurring [REDACTED], there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2023 (being the date to which the latest consolidated financial statements of our Group were made up) and up to the date of this document, and there is no event since 30 June 2023 and up to the date of this document which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

[REDACTED]

The total estimated [REDACTED] in connection with the [REDACTED] are approximately RMB[REDACTED] million (equivalent to approximately HK$[REDACTED] million), representing approximately [REDACTED]% of the gross proceeds from the [REDACTED], of which approximately RMB[REDACTED] million is expected to be capitalised upon the [REDACTED]. The remaining estimated [REDACTED] amount to approximately RMB[REDACTED] million, of which (i) approximately RMB[REDACTED] million, RMB[REDACTED] million and RMB[REDACTED] million was recognised for the year ended 31 December 2021 and 2022 and the six months ended 30 June 2023, respectively; and (ii) approximately RMB[REDACTED] million is expected to be recognised as expenses for the six months ending 31 December 2023. Such total estimated [REDACTED] include (i) [REDACTED]-related expenses of HK$[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.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 February 2021. Please refer to Note 22 to the Accountant's Report as set out in Appendix I to this document for details of our Company's reserves.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to various types of financial risks in the ordinary course of business, including market risk, credit risk and liquidity risk. Details of the risks to which we are exposed to are set out in Note 3 to the Accountant's Report set out in Appendix I to this document.

[REDACTED]

[REDACTED]

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please refer to the section headed "Business — Business strategies" in this document for a detailed discussion of our future plans.

REASONS FOR THE [REDACTED]

Our Directors believe that the [REDACTED] will benefit our Group in different aspects as discussed below:

Enhance our corporate profile and recognition in the market

The [REDACTED] will enhance our corporate profile, recognition and visibility in the market which should generate reassurance among our customers and suppliers. Our Directors believe that the [REDACTED] will strengthen our internal control and corporate governance practices, which in turn would bolster our customers' and suppliers' confidence in us and thus, enhance our level of competitiveness in the construction industry.

Our Directors also believe that our customers would prefer doing business with a [REDACTED] company to a private company given the former's greater transparency, and relevant regulatory supervision and stability generally. The transparent financial disclosure and regulatory supervision with a [REDACTED] status are definite competitive advantage to which customers would give due weight in a competitive tendering process and increase our chances for a successful tender compared with a non-[REDACTED] status.

Implement our business strategies

According to the Frost & Sullivan Report, it is anticipated that (i) the market size of the construction industry in terms of output value in PRC will grow at a CAGR of approximately 6.5% from 2022 to 2027, reaching approximately RMB42.7 trillion by 2027; and (ii) the market size of the construction industry in Guangdong Province in terms of output value will grow at a CAGR of approximately 8.3% from 2022 to 2027, reaching approximately RMB3.4 trillion by 2027. During the Track Record Period, we focused on the provision of construction services in the PRC and all of our revenue was generated from the provision of construction services. We had completed 164 projects with an aggregated total contract value amounting to approximately RMB2,584.1 million during the Track Record Period. During the Track Record Period, our Group received various awards and recognitions as set out in the section headed "Business — Awards and accreditations" in this document. Our Group will continue to further expand our construction business by capturing business opportunities arising from the expected growth in the construction industry in the PRC.

With the anticipated growth in for construction industry in the PRC and our proven track record, our Directors expect that our business will expand steadily going forward. We aim to further strengthen our financial position with the [REDACTED] from the [REDACTED] and to implement our business strategies as set out in the section headed "Business — Business strategies" in this document and the paragraph headed "[REDACTED]" in this section.

We have a genuine funding need in order to expand our market share

The business operations of our Group are capital intensive in nature. It is common in the construction industry that the projects require companies to have substantial cash outflows at the early stage of the projects while most of the cash inflows are only collected at the later stage of those projects. As such, construction companies are required to maintain significant amount of working capital to settle the cash outflows in their projects, especially those at the early stage. Construction companies usually have net cash outflows at the early stage of projects as they are required to pay for the cost of materials as well as the cost of the subcontractors and the progress payments from their customers would not cover these costs sufficiently until they are at the later stage of the projects.

During the Track Record Period, we have undertaken 259 projects with an aggregated contract value amounting to approximately RMB6,514.7 million. As a result of the number of projects undertaken, we experienced net cash outflows in the ordinary course of our business operation and we recorded cash outflow in operations of approximately RMB24.0 million for the year ended 31 December 2020, RMB61.1 million for the year ended 31 December 2021 and RMB4.8 million for the six months ended 30 June 2023. As at the Latest Practicable Date, we had a total of 97 projects on hand, which included projects that have commenced but not yet completed and projects that have been awarded to us but not yet commenced, with an aggregate total contract value of RMB4,481.2 million.

In line with our strategy to further expand our construction business in the PRC, we expect to require the dedication of additional financial resources as the initial capital fund to invest in our existing and future projects. Accordingly, we intend to apply a portion of the [REDACTED] of the [REDACTED] to fund our operating costs in connection with our existing and future projects to support our growth and development.

Equity financing would be more preferable to debt financing

Without the [REDACTED] from the [REDACTED], our Group would have to finance the awarded projects and our operations through (i) our internal resources, including our future cash flows from our operating activities; (ii) banking facilities; (iii) advances from our Controlling Shareholders; and (iv) introduction of new investors by way of subscription of new registered capital of Zhongshen Jianye, all of such alternative financing plans are not considered by our Directors to be in our best interest as these measures may not provide us with sufficient fund with favourable terms which would limit our ability to undertake additional potential projects and expand the scale of our planned operations. Additional loans from banks and our Controlling Shareholders would also increase our level of indebtedness and the reliance of our Controlling Shareholders.

The [REDACTED] will allow us to gain access to the capital market for fundraising, will facilitate our future business growth and development and will enhance our competitiveness. We will be able to use secondary fundraising after the [REDACTED] for our future expansion plans and when necessary, through the issuance of equity and/or debt securities. By strengthening our financial position through fundraising activities, we will also have more bargaining power when negotiating terms with our customers, suppliers.

Additional manpower would improve our service capacity and competitiveness

In addition to financial resources, we consider that an expansion of our manpower is crucial to our development as we need to enhance our execution capability for our continuous growth. We believe that the hiring of additional staff can facilitate and support our expansion plan. 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. We consider that such growth was supported by the expansion of our manpower and our monthly average headcount increased from 174 for the year ended 31 December 2020 to 211 for the year ended 31 December 2021 and further increased to 266 for the year ended 31 December 2022. It demonstrated that our Group's revenue growth is positively correlated to our execution capability in terms of the number of employees in such a manner that our revenue growth requires the support of an increased workforce.

It is imperative for our Group to purchase machinery

The equipment and machinery we used in our operation were leased from leasing service suppliers. During the Track Record Period, the equipment and machinery usage cost amounted to approximately RMB60.8 million, RMB99.2 million, RMB91.5 million and RMB43.9 million, representing approximately 4.8%, 7.8%, 7.0% and 9.4% of our total cost of revenue, respectively. In light of the increasing equipment and machinery usage cost, it is imperative for our Group to purchase machinery.

Hence, the purchase of machinery is not solely based on the increasing equipment and machinery usage cost but it is more important and necessary for our Group to purchase machinery to ensure our Group's machinery are readily available to meet our customers' requirement and to perform our contractual obligations at all times in case if no available equipment and machinery to be leased from equipment and machinery leasing service suppliers as there is no long-term contractual arrangement between equipment and machinery leasing service suppliers and our Group.

[REDACTED]

We estimate that we will receive [REDACTED] of approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) from the [REDACTED] (after deducting the [REDACTED] commissions and [REDACTED] by us and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED].

We intend to use all of the [REDACTED] 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 as at the Latest Practicable Date. For these projects, we either cannot receive advance payments or the advance payments are not sufficient to cover the upfront cost to be incurred within the early stage which are normally first three to six months from the respective commencement dates of the projects, depending on the expected duration of those projects. The details of these projects as at the Latest Practicable Date are as follows:

	Project	Location	Type of construction works	Commencement date	Expected completion date	Total contract value	Estimated amount of upfront costs (Note)	Payments from customers	Estimated cash outflow (Note)
						RMB million	RMB million	RMB million	RMB million
1	A demolition project	Shenzhen Guangdong Province	Construction engineering	October 2023	October 2025	99.3	[REDACTED]	8	[REDACTED]
2	A renovation project	Changsha, Hunan Province	Construction engineering	October 2023	June 2024	33.9	[REDACTED]	7	[REDACTED]
3	A building electrical and mechanical project	Shenzhen, Guangdong Province	Construction engineering	September 2023	December 2025	31.2	[REDACTED]	1	[REDACTED]
4	A roadwork improvement project	Heyuan, Guangdong Province	Municipal and public construction	November 2023	December 2024	184.8	[REDACTED]	10	[REDACTED]
5	A residential buildings project	Guangzhou, Guangdong Province	Construction engineering	October 2023	August 2026	365.8	[REDACTED]	20	[REDACTED]
					Total	715.0	[REDACTED]	46	[REDACTED]

Note: The estimated amounts of upfront costs and cash outflow of these projects are estimated with reference to our historical projects during the Track Record Period and based on the contract value, length, scale and complexity of these projects.

In view of the upfront cost which is project-related expenses, such as cost of materials and subcontracting charges, our Directors consider to rely only on our future cash flows from our other existing or completed projects to finance such upfront costs will hinder our business growth as our internal resources are limited. Such upfront costs is expected to continue even after the first work-in-progress payment is made by our customers. As a result, we may experience temporary net cash outflows in the ordinary course of our business operation. For instance, we recorded cash outflow in operations of approximately RMB24.0 million for the year ended 31 December 2020, RMB61.1 million for the year ended 31 December 2021 and RMB4.8 million for the six months ended 30 June 2023. Despite our Group achieved cash inflow in operation of approximately RMB47.0 million for the year ended 31 December 2022, our Group needs to maintain a higher level of working capital for our expanding operation scale. Therefore, in view of the above and other factors such as the number of sizeable projects we are going to take up is expected to increase along with our expansion plan and additional time may inevitably be required for our customers to certify a larger scale of works, our Directors consider that there is no assurance that we can generate enough cash flows to support our business operation and growth at any point in time. In such case, our business strategies may be susceptible to the timing when sufficient cash can be generated which will unavoidably prolong the timing of implementation of our business strategies and we may fail to fully capture the emerging business opportunities driven by the forecasted growth in the industry as well as the upcoming growth of our Group. Based on past experience during the Track Record Period, we have undertaken 23 projects with contract value above RMB30 million and no advance payment from customer, the average time taken to generate net positive cash flow for first time from those projects with contact value over RMB30 million was approximately 4 months notwithstanding that we may experience temporary net cash outflow subsequently, depending our payment arrangement with our suppliers.

Based on the estimation of our Directors with reference to our historical projects during the Track Record Period, we are generally required to pay in advance or reserve a sum amounting to approximately [REDACTED]% of the contract value to satisfy the upfront cost requirement for projects which customers are not required for advance payment.

Save for the above projects, our Group continues to submit tenders in order to maintain our presence in the market and our Group will persist in adoption the strategy of new tender submission in order to be widen our market size as well as enlarge business opportunity.

Given (i) the five projects with total contract value of approximately RMB715.0 million which are expected to commence construction and will require upfront costs and cashflow; and (ii) the pro-active approach on tender submission to widen our exposure to more business opportunities, our Directors are confident that our Group is able to secure a number of new projects and capture the potential business associated with the increase in demand for construction services in the PRC.

- 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. We set out below a breakdown of the [REDACTED] from the [REDACTED] allocated for the acquisition of machinery:

Types of equipment/machinery	Quantities	Estimated unit cost	Estimated total cost
		RMB'000	RMB'000
Large excavator	1	[REDACTED]	[REDACTED]
Large excavator	1	[REDACTED]	[REDACTED]
Large road roller	2	[REDACTED]	[REDACTED]
Forklift truck	2	[REDACTED]	[REDACTED]
Bulldozer	1	[REDACTED]	[REDACTED]
Hydraulic excavator	4	[REDACTED]	[REDACTED]
Sewage suction truck	2	[REDACTED]	[REDACTED]
Sprinkler truck	2	[REDACTED]	[REDACTED]
Dump truck	2	[REDACTED]	[REDACTED]
Forklift	2	[REDACTED]	[REDACTED]
Crane	2	[REDACTED]	[REDACTED]
Crawler excavator	2	[REDACTED]	[REDACTED]
Wheel excavator — Bucket	2	[REDACTED]	[REDACTED]
Wheel excavator — Breaker	2	[REDACTED]	[REDACTED]
Wheeled forklift	2	[REDACTED]	[REDACTED]
Sprinkler truck	2	[REDACTED]	[REDACTED]
Motor vehicle	2	[REDACTED]	[REDACTED]
Asphalt paver	2	[REDACTED]	[REDACTED]
Heavy dump truck	3	[REDACTED]	[REDACTED]
Rotary drilling rig	4	[REDACTED]	[REDACTED]
Crawler bulldozer	1	[REDACTED]	[REDACTED]
Tower crane	2	[REDACTED]	[REDACTED]
			[REDACTED]

The remaining balance will be funded out of our internal resources.

We require the use of a range of equipment and machinery such as construction cranes, excavators, scaffolding and dump truck, to perform our construction works. Given that operations of construction are capital intensive in nature and the significant amount of working capital are required, our Group did not purchase any machinery and equipment. During the Track Record Period, the equipment and machinery we used in our operation were leased from machinery and equipment leasing service suppliers and the equipment and machinery usage cost amounted to approximately RMB60.8 million, RMB99.2 million, RMB91.5 million and RMB43.9 million, respectively.

During the Track Record Period, we had experienced significant growth in our business operations. 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. Although we are generally allowed to select suppliers for competitive price, we can better control the cost for equipment and machinery by using our own machinery and equipment instead of renting from machinery and equipment leasing service suppliers as explained in the cost-and-benefit analysis below. Our Directors envisage that in anticipation of the new business opportunities with our backlog generally over RMB1,000 million and the contract value of the new construction projects contracted and the growing demand for our Group's services with a CAGR of approximately 8.3% from 2022 to 2027 in the market size of the construction industry in Guangdong Province in terms of output value, the machinery and equipment that we plan to purchase will be quickly deployed to different construction sites and none of them is expected to be in idle state for storage. In the unlikely event that our machinery and equipment become idle in the future, we plan to enter into lease arrangement with independent service provider to store such machinery and equipment in such leased area.

For illustration purpose, the table below sets forth a cost-and-benefit analysis of our estimated net annual cost savings assuming all the machinery and equipment are acquired by us as compared to renting from machinery and equipment leasing service suppliers:

	RMB'000
Estimated net annual cost savings	
— Rental of machinery and equipment *(Note 1)*	21,260
Less	
— Additional staff costs *(Note 2)*	708
— Additional depreciation expenses, repair and maintenance and other miscellaneous costs *(Note 3)*	4,342
	16,210

Notes:

1. Rental of machinery and equipment is based on the historical fee from machinery and equipment leasing service suppliers and consists of (i) the number of different type of machinery, (ii) cost of renting different type of machinery and equipment; and (iii) number of days per annum of different type of machinery and equipment.

2. The additional staff costs consist of the staff cost of machinery and equipment operator for crane, tower crane and rotary drilling rig.

3. Based on the accounting policies adopted by our Group, depreciation on machinery is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives of 5 years. The repair and maintenance cost was determined based our executive Directors' estimation with reference to the level and frequency of repair and maintenance required for our machinery.

As illustrated in the above cost-and-benefit analysis, if the machinery are acquired by us as compared to leasing from third parties, our estimated net annual cost savings would be approximately RMB16.2 million.

Taking into account the growth trend in the construction industry and projects undertaken by us, our executive Directors consider that our current plan in applying part of the [REDACTED] from the [REDACTED] for the acquisition of machinery is commensurate with our growing machinery needs.

- 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 for the anticipated growth of our business operation in order to ensure that we have sufficient manpower for the ongoing and other future projects.

  Our Directors believe that our capability to render quality construction works to our customers is premised on our strong engineering team that are staffed with professional personnel who possess relevant skills and experience to plan and closely monitor the progress of our projects and the works of our subcontractors. According to the Frost & Sullivan Report, it is anticipated that (i) the market size of the construction industry in terms of output value in PRC will grow at a CAGR of approximately 6.5% from 2022 to 2027, reaching approximately RMB42.7 trillion by 2027; and (ii) the market size of the construction industry in Guangdong Province in terms of output value will grow at a CAGR of approximately 8.3% from 2022 to 2027, reaching approximately RMB3.4 trillion by 2027. In order to accommodate our business growth, the anticipated growth in construction industry in PRC, we had continuously expanded our workforce, as demonstrated by the significant increase in our monthly average headcount from 174 for the year ended 31 December 2020 to 211 for the year ended 31 December 2021 and further increased to 266 for the year ended 31 December 2022. Going forward, to maintain the competitiveness of our Group and further enhance the quality of our works, our Directors intend to further expand our manpower to cope with our business expansion.

In light of the above, our Directors consider that a substantial amount of manpower will be required and to this end, we intend to recruit the following additional employees for each of the three year ending 31 December 2026:

Position	Qualification and experience	Number of employees to be recruited	Approximate annual remuneration per employee
			RMB'000
Project manager	Qualified constructor (一級建造師) and/or associate constructor (二級建造師) with 5–10 years of relevant experience	5	[REDACTED]
Engineer	Qualified engineer (工程師) with 2–5 years of relevant experience	5	[REDACTED]

In light of the above, our Directors consider that with an expanded workforce of additional project management staff and supporting staff, our Group can take up more sizeable projects, enhance the quality control and further improve our project management at work sites, thereby encouraging our recurring or potential customers to engage us for future projects and solidifying our reputation in the general construction market in the PRC. As such, our Group's revenue and profitability can be improved.

Our Directors are of the view that our above hiring plan is feasible given that (i) the salary that we offer in our plan is based on (i) our offered salary being within the range of those of our current staff of the same categories; and (ii) our hiring plan will be implemented on a gradual basis. As such, our Directors do not foresee any practical difficulties in implementing our hiring plan.

- 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.

To the extent that our [REDACTED] are not sufficient to satisfy the working capital requirements of the purpose as set forth above, we intend to fund the shortfall through variety of means including cash generated from operations and bank financing.

To the extent that the [REDACTED] of the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will only place the unused [REDACTED] into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong and/or China to avoid investment risks to the [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHONGSHEN JIANYE HOLDING LIMITED AND KINGSWAY CAPITAL LIMITED

Introduction

We report on the historical financial information of Zhongshen Jianye Holding Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-72, which comprises the consolidated balance sheets as at 31 December 2020, 2021 and 2022 and 30 June 2023, the balance sheets of the Company as at 31 December 2021 and 2022 and 30 June 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-72 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "**Document**") in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public

Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021 and 2022 and 30 June 2023 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by Zhongshen Jianye Holding Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong

[*Date*]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	*5*	1,331,204	1,346,219	1,378,055	371,857	495,780
Cost of revenue	*6*	(1,264,765)	(1,274,971)	(1,299,130)	(350,199)	(467,233)
Gross profit		66,439	71,248	78,925	21,658	28,547
Administrative expenses	*6*	(20,016)	(28,250)	(39,069)	(18,983)	(16,355)
(Impairment losses)/reversal of impairment losses on financial assets and contract assets	*3.1(b)*	(26,848)	(5,075)	(1,254)	(7,262)	4,280
Other income, (losses)/gains — net	*8*	(212)	1,166	(2)	(40)	(7)
Operating profit/(loss)		19,363	39,089	38,600	(4,627)	16,465
Finance income		60	96	148	48	181
Finance costs		(223)	(90)	(486)	(35)	(1,418)
Finance (costs)/income — net	*9*	(163)	6	(338)	13	(1,237)
Profit/(loss) before income tax		19,200	39,095	38,262	(4,614)	15,228
Income tax (expense)/credit	*10*	(5,641)	(11,019)	(12,937)	233	(4,441)
Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to owners of the Company		13,559	28,076	25,325	(4,381)	10,787
Earnings/(losses) per share attributable to owners of the Company for the year/period (expressed in RMB thousand per share)						
— Basic and diluted	*11*	1.36	2.81	2.53	(0.44)	1.08

B. CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at 30 June
		2020	2021	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Plant and equipment	*13*	95	225	652	629
Right-of-use assets	*14*	1,882	1,465	2,337	1,780
Intangible assets	*15*	15,436	13,341	11,246	10,198
Deposits and prepayments	*19*	—	—	214	8,736
Deferred income tax assets	*24*	9,219	10,561	10,466	9,537
		26,632	25,592	24,915	30,880
Current assets					
Inventories	*17*	148	352	304	238
Contract assets	*18*	637,725	803,829	1,019,851	967,469
Trade and bills receivables	*18*	224,908	268,548	215,383	129,113
Deposits, other receivables and prepayments	*19*	48,385	64,425	108,613	92,638
Amounts due from related parties	*19*	—	—	47	26
Restricted bank deposits	*20*	15,683	14,167	27,977	24,372
Cash and cash equivalents	*20*	20,735	41,072	112,117	96,754
		947,584	1,192,393	1,484,292	1,310,610
Total assets		974,216	1,217,985	1,509,207	1,341,490
EQUITY					
Share capital	*21*	—	—*	9	9
Other reserves	*22*	103,696	146,050	314,647	314,647
(Accumulated losses)/ retained earnings	*22*	(4,744)	(9,457)	12,406	23,193
Total equity		98,952	136,593	327,062	337,849

		As at 31 December			As at 30 June
		2020	2021	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Lease liabilities	*14*	1,001	388	1,149	563
Current liabilities					
Trade and other payables	*23*	741,601	905,141	1,135,520	963,870
Amounts due to related parties	*23*	73,588	147,589	11,485	11,832
Contract liabilities	*5*	43,188	14,936	21,917	20,813
Current income tax liabilities		14,969	12,114	10,826	5,277
Lease liabilities	*14*	917	1,224	1,248	1,286
		874,263	1,081,004	1,180,996	1,003,078
Total liabilities		875,264	1,081,392	1,182,145	1,003,641
Total equity and liabilities		974,216	1,217,985	1,509,207	1,341,490

* Below RMB1,000.

C. BALANCE SHEETS OF THE COMPANY

		As at 31 December		As at 30 June
		2021	2022	2023
	Note	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment in a subsidiary	*28*	139,981	306,336	306,336
Current assets				
Prepayments	*19*	[REDACTED]	[REDACTED]	[REDACTED]
Amount due from a related party	*19*	—*	2	2
Amount due from a subsidiary	*19*	16	—	—
Cash and cash equivalents		8	8	8
		1,920	4,081	4,766
Total assets		141,901	310,417	311,102
EQUITY				
Share capital	*21*	—*	9	9
Other reserves	*22*	139,981	306,336	306,336
Accumulated losses	*22*	(3,299)	(13,686)	(16,139)
Total equity		136,682	292,659	290,206
LIABILITIES				
Current liabilities				
Other payables	*23*	[REDACTED]	[REDACTED]	[REDACTED]
Amount due to a related party	*23*	2,599	2,158	2,158
Amounts due to subsidiaries	*23*	1,139	13,933	14,940
Total liabilities		5,219	17,758	20,896
Total equity and liabilities		141,901	310,417	311,102

* Below RMB1,000.

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company			
	Note	Share capital (Note 21) RMB'000	Other reserves (Note 22) RMB'000	Retained earnings/ (accumulated losses) (Note 22) RMB'000	Total equity RMB'000
As at 1 January 2020		—	22,820	21,073	43,893
Total comprehensive income					
Profit for the year		—	—	13,559	13,559
Transactions with owners in their capacity as owners					
Cash contributions from shareholders	*22(c)*	—	41,500	—	41,500
Appropriation to statutory reserves	*22(b)*	—	1,376	(1,376)	—
Transfer from retained earnings to capital reserves	*22(d)*	—	38,000	(38,000)	—
As at 31 December 2020		—	103,696	(4,744)	98,952
As at 1 January 2021		—	103,696	(4,744)	98,952
Total comprehensive income					
Profit for the year		—	—	28,076	28,076
Transactions with owners in their capacity as owners					
Issue of shares	*21*	—*	—	—	—*
Cash contributions from shareholders	*22(c)*	—	9,565	—	9,565
Appropriation to statutory reserves	*22(b)*	—	2,789	(2,789)	—
Transfer from retained earnings to capital reserves	*22(d)*	—	30,000	(30,000)	—
As at 31 December 2021		—*	146,050	(9,457)	136,593

* Below RMB1,000.

		Attributable to owners of the Company			
		Share capital (Note 21)	**Other reserves (Note 22)**	**(Accumulated losses)/ retained earnings (Note 22)**	**Total equity**
	Note	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
As at 1 January 2022		—*	146,050	(9,457)	136,593
Total comprehensive income					
Profit for the year		—	—	25,325	25,325
Transactions with owners in their capacity as owners					
Issue of shares	*21*	9	—	—	9
Cash contributions from shareholders	*22(c)*	—	22,435	—	22,435
Appropriation to statutory reserves		—	3,462	(3,462)	—
Capitalisation of amounts due to shareholders	*22(e)*	—	143,920	—	143,920
Deemed distribution to shareholders pursuant to the Reorganisation	*22(b)*	—	(1,220)	—	(1,220)
As at 31 December 2022		9	314,647	12,406	327,062
As at 1 January 2023		9	314,647	12,406	327,062
Total comprehensive income					
Profit for the period		—	—	10,787	10,787
As at 30 June 2023		9	314,647	23,193	337,849

* Below RMB1,000.

		Attributable to owners of the Company			
		Share capital (Note 21)	Other reserves (Note 22)	Accumulated losses (Note 22)	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
As at 1 January 2022		—*	146,050	(9,457)	136,593
Total comprehensive loss					
Loss for the period		—	—	(4,381)	(4,381)
Transactions with owners in their capacity as owners					
Issue of shares	*21*	9	—	—	9
Cash contributions from shareholders	*22(c)*	—	22,435	—	22,435
Deemed distribution to shareholders pursuant to the Reorganisation	*22(f)*	—	(1,220)	—	(1,220)
Capitalisation of amounts due to shareholders	*22(e)*	—	143,920	—	143,920
As at 30 June 2022		9	311,185	(13,838)	297,356

* Below RMB1,000.

E. CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash (used in)/generated from operations	*25(a)*	(15,305)	(45,853)	61,097	1,338	4,278
Income tax paid		(8,677)	(15,216)	(14,130)	(7,565)	(9,061)
Net cash (used in)/generated from operating activities		(23,982)	(61,069)	46,967	(6,227)	(4,783)
Cash flows from investing activities						
Repayment from/(advances to) related parties		7,548	—	(47)	(13)	21
Purchases of property, plant and equipment	*13, 19*	(98)	(174)	(531)	—	(8,482)
Purchases of intangible assets	*15*	(944)	—	—	—	—
Purchases of financial assets at fair value through profit or loss		(10)	—	—	—	—
Proceeds from disposal of financial assets at fair value through profit or loss		10	—	—	—	—
Net cash generated from/(used in) investing activities		6,506	(174)	(578)	(13)	(8,461)
Cash flows from financing activities						
Interest paid	*25(b)*	(109)	—	(422)	—	(1,366)
(Repayment to)/advances from related parties	*25(b)*	(11,150)	74,001	6,596	1,906	347
Repayment of borrowing	*25(b)*	(2,600)	—	—	—	—
[REDACTED] paid (equity portion)		—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payment of principal elements of lease liabilities	*25(b)*	(907)	(977)	(1,352)	(623)	(616)
Payment of interest portion of lease liabilities	*25(b)*	(114)	(90)	(64)	(35)	(52)
Cash contributions from shareholders	*22(c)*	41,500	9,565	22,435	22,435	—
Net cash generated from/(used in) financing activities		26,620	81,576	(24,560)	22,906	(2,101)
Net increase/(decrease) in cash and cash equivalents		9,144	20,333	70,949	16,666	(15,345)
Cash and cash equivalents at beginning of year/period	*20*	11,591	20,735	41,072	41,072	112,117
Exchange differences on cash and cash equivalents		—	4	96	39	(18)
Cash and cash equivalents at end of year/period	*20*	20,735	41,072	112,117	57,777	96,754

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION

1.1 General information

Zhongshen Jianye Holding Limited (the "Company") was incorporated in the Cayman Islands on 2 February 2021 as an exempted company with limited liability. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the provision of construction services (the "[REDACTED] Business") in the People's Republic of China (the "PRC").

Mr. Sang Xianfeng ("Mr. Sang") and Mr. Xian Yurong ("Mr. Xian") are the co-founders of the [REDACTED] Business. Mr. Sang is the ultimate controlling shareholder of the Group throughout the Track Record Period.

1.2 Reorganisation

Immediately prior to the Reorganisation (as defined below) and during the Track Record Period, the [REDACTED] Business was operated by Zhongshen Jianye Construction Group Co., Ltd. ("Zhongshen Jianye"). Immediately prior to the Reorganisation, Zhongshen Jianye was owned by Mr. Sang and Mr. Xian as to 80% and 20% respectively.

In preparation for the [REDACTED] (the "[REDACTED]") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, a group reorganisation (the "Reorganisation") was undertaken pursuant to which Zhongshen Jianye and the [REDACTED] Business were transferred to the Company. The Reorganisation mainly involved the following steps:

(a) ***Incorporation of the Company***

On 2 February 2021, the Company was incorporated in the Cayman Islands with 1 subscriber share allotted, issued and then transferred to Zhongshen Hengtai Capital Limited ("Zhongshen Hengtai"), which is wholly owned by Mr. Sang. On the same date, 20 shares and 79 shares of the Company were allotted and issued to Zhongshen Chitai Capital Limited ("Zhongshen Chitai"), which is wholly owned by Mr. Xian, and Zhongshen Hengtai, respectively. The Company was then indirectly owned as to 80% by Mr. Sang and 20% by Mr. Xian.

(b) ***Incorporation of intermediate holding companies by the Company***

On 22 February 2021, Zhongshen Xihe Enterprise Limited ("Zhongshen Xihe") was incorporated in the British Virgin Islands (the "BVI") with 100 shares allotted and issued to the Company. Since then, Zhongshen Xihe has become a direct wholly owned subsidiary of the Company.

On 2 March 2021, Zhongshen Ximing Capital Limited ("Zhongshen Ximing") was incorporated in Hong Kong with 100 shares allotted and issued to Zhongshen Xihe. Since then, Zhongshen Ximing has become an indirectly wholly owned subsidiary of the Company.

On 2 December 2021, Shenzhen Zhongshen Mingye Information Consulting Co., Ltd. ("Zhongshen MingYe") was established in the PRC by Zhongshen Ximing. Since then, Zhongshen MingYe has become an indirectly wholly owned subsidiary of the Company.

On 3 December 2021, Zhongshen Jianye (Shenzhen) Construction Co., Ltd. ("Zhongshen Jianye (Shenzhen)") was incorporated in the PRC by Zhongshen MingYe. Since then, Zhongshen Jianye (Shenzhen) has become an indirectly wholly owned subsidiary of the Company.

(c) *Transfer of the equity interests of Zhongshen Jianye to the Company*

(i) *Acquisition of 8% equity interest in Zhongshen Jianye by a new shareholder*

Pursuant to a capital increase agreement dated 19 November 2021 entered into among Zhongshen Jianye, Lefu Capital Limited ("Lefu Capital"), Mr. Sang and Mr. Xian, a new shareholder, namely Xinyao Investment Limited ("Xinyao Investment") which is directly wholly owned by Ms. Hou Ling ("Ms. Hou"), subscribed 8% equity interest in Zhongshen Jianye through Lefu Capital which is directly wholly owned by Xinyao Investment, by contributing RMB32 million for an increase in the registered capital of Zhongshen Jianye. In December 2021, March 2022 and June 2022, Xinyao Investment, through Lefu Capital, injected cash amounting to RMB9,565,000, RMB12,515,000 and RMB9,920,000 (Note 22(c)) to Zhongshen Jianye, respectively. As a result, Xinyao Investment owned 8% equity interest in Zhongshen Jianye through Lefu Capital and the remaining 92% equity interests in Zhongshen Jianye was owned by Mr. Sang and Mr. Xian as to 73.6% and 18.4%, respectively.

(ii) *Transfer of 92% equity interests in Zhongshen Jianye to the Group*

Pursuant to an equity transfer agreement dated 21 December 2021 entered into among Mr. Xian, Mr. Sang and Zhongshen Jianye (Shenzhen), Mr. Sang and Mr. Xian transferred their respective 73.6% and 18.4% equity interests in Zhongshen Jianye to Zhongshen Jianye (Shenzhen) in return for 0.8% and 0.2% equity interests in Zhongshen Jianye (Shenzhen), respectively, thereby Mr. Sang and Mr. Xian subscribed for the increased registered capital of Zhongshen Jianye (Shenzhen) in the aggregate amount of RMB10,100 and 0.8% and 0.2% of the equity interests of Zhongshen Jianye (Shenzhen), respectively. On 24 December 2021, the registered capital of Zhongshen Jianye (Shenzhen) was increased from RMB1,000,000 to RMB1,010,100 and Zhongshen Jianye (Shenzhen) was owned by Zhongshen Mingye as to 99%, Mr. Sang as to 0.8% and Mr. Xian as to 0.2%.

On 5 January 2022, Zhongshen MingYe acquired from Mr. Sang and Mr. Xian 0.8% and 0.2% equity interests in Zhongshen Jianye (Shenzhen) at cash considerations of RMB976,000 and RMB244,000, respectively. Since then, Zhongshen Jianye (Shenzhen) was an indirectly wholly owned subsidiary of the Company.

(iii) *Acquisition of 100% equity interests in Lefu Capital by Zhongshen Xihe*

On 29 June 2022, 29 June 2022 and 30 June 2022, the Company issued and allotted 7,280, 1,820 and 800 new shares at par to Zhongshen Hengtai, Zhongshen Chitai and Xinyao Investment, respectively. On 30 June 2022, Zhongshen Xihe acquired the entire 100% interests in Lefu Capital from Xinyao Investment in consideration for the allotment and issue of the above mentioned 800 shares by the Company.

Since then, the Company was ultimately owned by Mr. Sang, Mr. Xian and Ms. Hou as to 73.6%, 18.4% and 8%, respectively. Upon completion of the Reorganisation on 30 June 2022, the Company has become the holding company of the companies now comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name	Date and place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/issued capital	Attributable equity of the Group as at 31 December			Attributable equity of the Group as at 30 June 2023	Attributable equity of the Group as at the date of this report	Note
				2020	2021	2022			
Directly owned:									
Zhongshen Xihe Enterprise Limited 中深熙和實業有限公司	22 February 2021, the BVI, limited liability company	Investment holding in the BVI	Hong Kong dollar ("HKD") 100	N/A	100%	100%	100%	[100%]	(3)
Indirectly owned:									
Zhongshen Jianye Construction Group Co., Ltd.* 中深建業建設集團有限公司	8 June 2017, the PRC, limited liability company	Provision of construction services in the PRC	RMB400,000,000	100%	100%	100%	100%	[100%]	(1)
Zhongshen Ximing Capital Limited ("Zhongshen Ximing") 中深熙明資本有限公司	2 March 2021, Hong Kong, limited liability company	Investment holding in Hong Kong	HKD100	N/A	100%	100%	100%	[100%]	(2)
Lefu Capital Limited ("Lefu Capital") 樂福資本有限公司	17 December 2020, Hong Kong, limited liability company	Investment holding in Hong Kong	HKD100 and RMB32,105,370	N/A	N/A	100%	100%	[100%]	(2)
Shenzhen Zhongshen Mingye Information Consulting Co., Ltd.* 深圳市中深明業信息諮詢有限公司#	2 December 2021, the PRC, limited liability company	Investment holding in the PRC	RMB1,000,000	N/A	100%	100%	100%	[100%]	(3)
Zhongshen Jianye (Shenzhen) Construction Co., Ltd.* (previously known as "Shenzhen Zhongshen Zhuohe Enterprise Management Co., Ltd.*") 中深建業(深圳)建設有限公司(前稱: 深圳市中深卓和企業管理有限公司)	3 December 2021, the PRC, limited liability company	Investment holding in the PRC	RMB1,010,100	N/A	100%	100%	100%	[100%]	(3)
Shenzhen Zhongye Building Materials Co., Ltd.* 深圳市中業建材有限公司	12 June 2019, the PRC, limited liability company	Inactive	RMB1,000,000	100%	100%	100%	100%	[100%]	(3)
Zhongshen Jianye Technology (Shenzhen) Co., Ltd.* (previously known as "Shenzhen Shi Feng Labour Service Co., Ltd.*") 中深建業科技(深圳)有限公司(前稱: 深圳市世豐勞務有限公司)	12 June 2019, the PRC, limited liability company	Inactive	RMB1,000,000	100%	100%	100%	100%	[100%]	(3)

Name	Date and place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/issued capital	Attributable equity of the Group as at 31 December			Attributable equity of the Group as at 30 June 2023	Attributable equity of the Group as at the date of this report	Note
				2020	2021	2022			
Zhongshen Jianye Ecological Construction (Shenzhen) Co., Ltd.* (previously known as "Zhongjian Tiancheng Construction Development Co., Ltd.*") 中深建業生態建設(深圳)有限公司 (前稱: 中建天成建設發展有限公司)	9 June 2017, the PRC, limited liability company	Inactive	RMB80,000,000	100%	100%	100%	100%	[100%]	(3)
Zhongshen (Zhuhai) Construction Co., Ltd.* 中深(珠海)建設有限公司	18 September 2021, the PRC, limited liability company	Inactive	RMB5,000,000	N/A	100%	100%	100%	[100%]	(3)
Henan Hetu Luoshu Industrial Co., Ltd.* ("Hetu Luoshu") 河南省河圖洛書實業有限公司	16 March 2017, the PRC, limited liability company	Inactive	RMB100,000,000	100%	N/A	N/A	N/A	[N/A]	(3), (4)
Henan Hetu Network Information Technology Co., Ltd.* ("Hetu Network") 河南省河圖網路信息科技有限公司	10 March 2017, the PRC, limited liability company	Inactive	RMB100,000,000	100%	N/A	N/A	N/A	[N/A]	(3), (4)
Zhumadian Hetu Construction Engineering Co., Ltd.* ("Hetu Construction") 駐馬店市河圖建設工程有限公司	10 March 2017, the PRC, limited liability company	Inactive	RMB50,000,000	N/A	N/A	N/A	N/A	[N/A]	(3), (4)
Zhongshen Jianye (Huizhou) Construction Co., Ltd.* 中深建業(惠州)建設有限公司	3 August 2022, the PRC, limited liability company	Inactive	RMB10,000,000	N/A	N/A	100%	100%	[100%]	(3)
Zhongshen Jianye Architectural Design (Shenzhen) Co., Ltd.* 中深建業建築設計(深圳)有限公司	26 September 2022, the PRC, limited liability company	Inactive	RMB1,000,000	N/A	N/A	100%	100%	[100%]	(3)
Zhongshen Jianye Project Management (Shenzhen) Co., Ltd.* 中深建業項目管理(深圳)有限公司	26 September 2022, the PRC, limited liability company	Inactive	RMB1,000,000	N/A	N/A	100%	100%	[100%]	(3)

(1) The statutory financial statements for the years ended 31 December 2020, 2021 and 2022 were prepared in accordance with Chinese accounting standards and audited by Shenzhen Huatu Certified Public Accountants* 深圳市華圖會計師事務所(普通合夥), Shenzhen Jintian Certified Public Accountants* 深圳市錦添會計師事務所(普通合夥) and Shenzhen Jintian Certified Public Accountants* 深圳市錦添會計師事務所(普通合夥) respectively.

(2) The statutory financial statements of Zhongshen Ximing and Lefu Capital for the period from incorporated date to 31 December 2021 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and audited by Venus W. S. Lui Certified Public Accountant (Practising).

(3) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(4) Hetu Luoshu, Hetu Network and Hetu Construction were dissolved voluntarily and deregistered on 22 March 2021, 29 March 2021 and 29 March 2021, respectively.

* The English name of certain entities referred to above represented the best efforts by management in translating their Chinese names as they do not have official English names.

\# Registered as wholly foreign owned enterprises under the PRC law.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business is conducted through Zhongshen Jianye which is controlled by Mr. Sang. Pursuant to the Reorganisation, Zhongshen Jianye was transferred to and held by the Company. The Company and the intermediary holding companies set up during the Reorganisation are new companies which have not been involved in any business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the [REDACTED] Business and does not result in any changes in management of such business and the ultimate controlling shareholder of the [REDACTED] Business remains the same. For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Zhongshen Jianye and its subsidiaries with the assets and liabilities of the Group recognised and measured at the carrying values of the assets, liabilities and operating results of the [REDACTED] Business under the consolidated financial statements of Zhongshen Jianye for all periods presented.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this Historical Financial Information are set out below.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. The principal accounting policies set out below have been consistently applied to all the years and periods presented, unless otherwise stated. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

In preparing the Historical Financial Information, all effective HKFRSs, amendments to standards and interpretations which are mandatory for the financial period beginning on 1 January 2023, have been consistently applied by the Group throughout the Track Record Period.

(a) ***New standards and interpretations not yet adopted***

The following new and amended standards, improvements, interpretations and accounting guidelines have been issued but are not effective for the Track Record Period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies "Classification of Liabilities as Current or Non-current — Amendments to HKAS 1"
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards, improvements, interpretations and accounting guidelines. According to the preliminary assessment made by management, no significant impact on the financial performance and financial positions of the Group is expected when they become effective.

2.2 Principles of consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amounts recognised in profit or loss.

2.3 Separate financial statements

Interests in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information of the Company is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognised in other comprehensive income.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency differences are recognised in other comprehensive income.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM").

The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2.6 Intangible assets

The Group's intangible assets include construction licences and software.

Acquired construction licences and software are initially recognised at cost.

Intangible assets are stated at cost less accumulated amortisation and impairment losses after initial recognition.

Amortisation is calculated on a straight-line basis over their estimated useful lives follows:

Construction licences	10 years
Software	10 years

2.7 Impairment of non-financial assets other than goodwill

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investments and other financial asset

(a) ***Classification***

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) ***Recognition and derecognition***

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(c) ***Measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Trade and bills receivables, other receivables that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) (if any), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

(d) ***Impairment***

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and retention receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables , the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from cash and cash equivalents and restricted bank deposits, the Group only transacts business with reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

Impairment losses on contract assets and trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less(or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.8(d) and Note 3.1(b)(ii) for further information about the Group's impairment policies for trade receivables.

Bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.11 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions. Bank deposits which are restricted to use are included in "restricted bank deposits" of the consolidated balance sheets. Restricted bank deposits are excluded from cash and cash equivalents.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees, which include short-term employee benefits and post-employment benefits.

(a) *Short-term employee benefits*

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences and etc. The short-term employee benefits actually occurred are recognised as a liability in the period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets

(b) *Post-employment benefits*

The Group operates post-employment schemes via defined contribution pension plans. For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.16 Provisions

Provisions for legal claims, warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.17 Revenue recognition

Revenues are recognised when or as the control of goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of goods or services may transfer over time or at a point in time. Control of goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of goods or services.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

Revenue is measured at the transaction price agreed under the contract. Revenue is shown, net of discounts and after eliminating sales within the Group. The Group considers the effects of variable consideration, constraining estimates of variable consideration and the existence of a significant financing component in the contract to determine the transaction price.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period.

From time to time, customers may request scope changes during construction and the Group may commence work on the changes after the scope of the changes has been agreed while the price for the corresponding changes has still not been agreed. Approved scope changes where a change in price has not been agreed are accounted for under the guidance in relation to variable consideration.

Certain revenue contracts allow customers an option to settle part of the contract consideration by requiring the Group to factor trade receivables from customers with financial institutions. The costs for such factoring arrangement are borne by the Group and are considered in determining the transaction prices, which are the amount of consideration which the Group expects to receive in exchange for transferring promised goods or services to a customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration or an amount of consideration is due from the customer.

Revenue from construction services

For construction services contracts, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the progress towards complete satisfaction of that performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

2.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease payments include fixed payments, less any lease incentives, variable lease payments that depend on an index or a rate known at the commencement date, and purchase options or extension option payments if the Group is reasonably certain to exercise these options. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use asset and are recognised as an expense in the consolidated statements of comprehensive income in the period in which the event or condition that triggers those payments occurs.

A lease liability is remeasured upon a change in the lease term, changes in an index or rate used to determine the lease payments or reassessment of exercise of a purchase option. The corresponding adjustment is made to the related right-of-use asset.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised within profit or loss in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) ***Market risk***

(i) *Foreign exchange risk*

The Group mainly operates in the Chinese mainland and the functional currency of the majority of the entities within the Group is RMB. RMB is not freely convertible into other foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government. Most of the Group's transactions, assets and liabilities were denominated in RMB.

If RMB had weakened/strengthened by 5% against HKD with all other variables held constant, profit before taxation for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 would have been decreased/increased by approximately nil, RMB133,000, RMB78,000 and RMB103,000, respectively, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated payables.

(ii) *Cash flow and fair value interest rate risk*

The fair value interest rate risk relates primarily to the Group's financial assets at amortised cost. The cash flow and fair value interest rate risk on bank deposits is insignificant as the fixed rate deposits were short-term.

Other financial assets and liabilities do not have material interest rate risk.

(b) *Credit risk*

The Group is exposed to credit risk in relation to its trade, bills and other receivables, amounts due from related parties, contract assets, cash and cash equivalents and restricted bank deposits. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets and contract assets.

(i) *Credit risk of cash and cash equivalents, restricted bank deposits and bills receivables*

To manage the risk arising from cash and cash equivalents, restricted bank deposits and bills receivables, the Group only transacts business with reputable commercial banks which are all high-credit-quality financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. The Group assessed that the expected credit losses rate for cash and cash equivalents, restricted bank deposits and bills receivables from the banks are immaterial and considered them to have a low credit risk, and thus the loss allowance is immaterial.

(ii) *Credit risk of trade receivables and contract assets*

For trade receivables, the Group has monitoring procedures in place to ensure that follow-up action is taken to recover overdue amounts. In addition, the Group reviews the recoverability of these trade receivables and contract assets at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit loss, trade receivables and contract assets have been grouped into four categories based on similar credit risk characteristics as follows:

- Group 1: governmental departments and institutional bodies established under regulations set by the PRC government with funding from the PRC government

- Group 2: Chinese central state-owned enterprises, which are established under the Law of the People's Republic of China on State-owned Assets in Enterprises, as well as under the arrangements made by the State-owned Assets Supervision and Administration Commission of the State Council

- Group 3: non-state-owned real estate developers

- Group 4: other enterprises engaging in various industries

Expected credit loss of certain individually significant customers with higher credit risk characteristics is analysed and determined separately from the above grouping.

The expected loss rates are determined based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institutions, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group has primarily identified the consumer price index and broad money supply under M2 in the Chinese mainland to be the relevant macroeconomic factors for the purpose of assessing forward looking information, and accordingly adjusts the loss rates based on expected changes in those factors.

On these bases, the loss allowances for contract assets and trade receivables as at 31 December 2020, 2021 and 2022, and 30 June 2023 were determined as follows:

	Expected loss rate	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	**RMB'000**	**RMB'000**
As at 31 December 2020				
Collective basis				
Group 1				
• Contract assets	0.07%	134,743	100	134,643
• Trade receivables				
— Within 1 year	0.08%	16,808	13	16,795
— Between 1 year and 2 years	0.24%	1,260	3	1,257
Group 2				
• Contract assets	0.03%	157,770	55	157,715
• Trade receivables				
— Within 1 year	0.03%	125,817	43	125,774
— Between 1 year and 2 years	0.11%	3,751	4	3,747
Group 3				
• Contract assets	1.51%	277,759	4,205	273,554
• Trade receivables				
— Within 1 year	1.51%	62,592	947	61,645
Group 4				
• Contract assets	1.44%	51,126	737	50,389
• Trade receivables				
— Within 1 year	1.46%	1,710	25	1,685
— Between 1 year and 2 years	1.48%	406	6	400
Individual basis				
Customer 1 (Note (a))				
• Contract assets	43.62%	37,997	16,573	21,424
• Trade receivables				
— Within 1 year	43.62%	14,198	6,193	8,005

	Expected loss rate	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 31 December 2021				
Collective basis				
Group 1				
• Contract assets	0.06%	152,431	98	152,333
• Trade receivables				
— Within 1 year	0.07%	17,156	12	17,144
— Between 1 year and 2 years	0.38%	28	—*	28
— Over 2 years	1.18%	760	9	751
Group 2				
• Contract assets	0.07%	109,693	82	109,611
• Trade receivables				
— Within 1 year	0.07%	77,249	55	77,194
— Between 1 year and 2 years	0.30%	48,692	148	48,544
Group 3				
• Contract assets	1.69%	419,273	7,076	412,197
• Trade receivables				
— Within 1 year	1.72%	103,079	1,778	101,301
Group 4				
• Contract assets	1.06%	128,804	1,368	127,436
• Trade receivables				
— Within 1 year	1.13%	22,781	257	22,524
— Between 1 year and 2 years	8.92%	437	39	398
— Over 2 years	100.00%	100	100	—
Individual basis				
Customer 1 (Note (a))				
• Contract assets	88.71%	19,940	17,688	2,252
• Trade receivables				
— Within 1 year	88.71%	5,880	5,216	664

* Below RMB1,000.

	Expected loss rate	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 31 December 2022				
Collective basis				
Group 1				
● Contract assets	0.05%	251,275	133	251,142
● Trade receivables				
— Within 1 year	0.13%	16,448	21	16,427
— Between 1 year and 2 years	0.62%	321	2	319
— Over 2 years	4.17%	863	36	827
Group 2				
● Contract assets	0.04%	169,171	67	169,104
● Trade receivables				
— Within 1 year	0.05%	50,061	27	50,034
— Between 1 year and 2 years	0.60%	31,881	192	31,689
— Over 2 years	3.46%	34,991	1,210	33,781
Group 3				
● Contract assets	1.70%	120,831	2,060	118,771
● Trade receivables				
— Within 1 year	1.70%	1,769	30	1,739
Group 4				
● Contract assets	2.21%	378,215	8,357	369,858
● Trade receivables				
— Within 1 year	2.84%	32,430	921	31,509
— Between 1 year and 2 years	21.79%	234	51	183
— Over 2 years	100.00%	525	525	—
Individual basis				
Customer 2 (Note (b))				
● Contract assets	11.83%	125,031	14,787	110,244
● Trade receivables				
— Within 1 year	11.83%	23,665	2,799	20,866
Customer 3 (Note (c))				
● Contract assets	64.08%	2,038	1,306	732
Others — individually insignificant				
● Contract assets	100.00%	165	165	—
● Trade receivables	100.00%	160	160	—

	Expected loss rate	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 30 June 2023				
Collective basis				
Group 1				
• Contract assets	0.12%	237,626	278	237,348
• Trade receivables				
— Within 1 year	0.17%	18,922	32	18,890
— Between 1 year and 2 years	0.72%	277	2	275
— Over 2 years	4.53%	817	37	780
Group 2				
• Contract assets	0.05%	158,626	72	158,554
• Trade receivables				
— Within 1 year	0.05%	57,179	28	57,151
— Between 1 year and 2 years	0.72%	1,668	12	1,656
— Over 2 years	0.48%	6,283	30	6,253
Group 3				
• Contract assets	1.71%	123,234	2,110	121,124
• Trade receivables				
— Within 1 year	1.71%	7,079	121	6,958
Group 4				
• Contract assets	2.57%	389,637	10,019	379,618
• Trade receivables				
— Within 1 year	8.32%	12,593	1,048	11,545
— Between 1 year and 2 years	23.21%	1,034	240	794
— Over 2 years	100.00%	100	100	—
Individual basis				
Customer 2 (Note (b))				
• Contract assets	12.23%	79,864	9,771	70,093
• Trade receivables				
— Within 1 year	12.23%	12,917	1,580	11,337
— Between 1 year and 2 years	12.23%	13,643	1,669	11,974
Customer 3 (Note (c))				
• Contract assets	64.08%	2,038	1,306	732
Others — individually insignificant				
• Contract assets	100.00%	165	165	—
• Trade receivables	100.00%	160	160	—

(a) Customer 1 is an enterprise set up by a city government in Henan province. In 2020, the Group entered into a contract with Customer 1 whereas the Group would construct a building for Customer 1 for a contract price of RMB291,608,000. Towards the end of 2020, the Group identified that the credit risk of Customer 1 had worsened, taking into account the status of billings and settlement and information in relation to the financial conditions of Customer 1. The Group decided to suspend the project until Customer 1 could substantially settle the outstanding payments for the works completed. As at 31 December 2020 and 2021, the Group estimated, based on the then available information, the recoverable amount for the construction service it had provided by recognising an impairment provision against the carrying values of trade receivables and contract assets from Customer 1.

The directors of the Company understood that during the period from September 2022 to March 2023, Customer 1 has raised a total of RMB9 billion from 3 rounds of bond issuance, and the Group has collected cash of RMB20,000,000 and RMB2,500,000 from Customer 1 during the second half of 2022 and the first half of 2023, respectively. The loss allowance provision totalling RMB22,904,000 set up for Customer 1 as at 30 June 2022 was written back by RMB22,678,000 and RMB28,000 during the second half of 2022 and the first half of 2023, respectively. In addition, starting from the year ended 31 December 2022, the Group has assessed the credit risk of Customer 1 on a collective basis together with other customers in Group 4.

(b) Customer 2 is one of the largest PRC residential property developers listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group entered into three construction contracts at a total contract price of RMB738,659,000 with the subsidiaries of Customer 2 in 2019 and 2020. The principal construction works for two of the three contracts have been completed in 2022 and are under final settlement audit with the customer, and the remaining project is expected to be completed in 2023. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the total balance of trade receivables and contract assets from Customer 2 were RMB213,558,000, RMB253,965,000, RMB148,696,000 and RMB106,424,000, against which impairment provision of RMB3,233,000, RBM4,419,000, RMB17,586,000 and RMB13,019,000 was made respectively.

The many factors challenging the liquidity of PRC property developers have intensified significantly since 2022. In particular, the large-scale property developers used to having easier and cheaper access to capital in the form of equity or borrowing have been facing stronger headwind relative to those smaller-scale developers during this liquidity crisis. Accordingly, the directors of the Company have decided to evaluate, and monitor, the credit risk of Customer 2 separately from other Group 3 customers starting from the year ended 31 December 2022. After careful consideration, the expected credit loss rate of Customer 2 as at 31 December 2022 was determined to be 11.83% and further increased to 12.23% as at 30 June 2023.

Development subsequent to 30 June 2023

In July 2023, Customer 2 made payments of RMB20,530,000 to the Group, and the total balance of contract assets and accounts receivable before provision for impairment loss from Customer 2 was reduced to RMB86,866,000 as at 31 July 2023.

In August 2023, Customer 2 announced, among other things, a profit warning for the six months ended 30 June 2023 and it was under phased liquidity pressure. Accordingly, the directors of the Company consider the credit risk associated with Customer 2 has been escalated significantly subsequent to 30 June 2023.

For accounting purpose, the announcements of Customer 2 in August 2023 are considered as non-adjusting event, and the Group has not adjusted the expected credit loss with Customer 2 recognised on its balance sheet as at 30 June 2023 to reflect the non-adjusting event.

(c) Customer 3 is an enterprise set up by a city government in Shenzhen. In 2019, the Group entered into a contract with Customer 3 for a municipal and public construction project at a contract price of RMB19,183,000, of which RMB17,384,000 has been recognised by the Group as revenue and RMB15,346,000 has been collected by 30 June 2022. During the second half of 2022, the Group took legal action against the customer for failing to pay the remaining unsettled balance, and the customer counter-sued the Group claiming it has overpaid the Group by RMB1,479,000. As at the date of this report, the legal proceedings are on-going. An impairment provision of RMB1,306,000 was made against the contract assets of this customer as at 31 December 2022 and 30 June 2023.

Movements on the Group's credit loss allowance for trade receivables and contract assets are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	1,944	28,904	33,926	33,926	32,849
Credit loss allowance recognised/(reversed), net *(Note 18)*	26,960	5,022	(1,077)	7,298	(4,069)
At the end of the year/period	28,904	33,926	32,849	41,224	28,780

(iii) *Credit risk of other receivables*

For other receivables, the impairment loss is measured based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there is a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime expected credit loss.

As at 31 December 2020, 2021 and 2022, and 30 June 2023, other receivables mainly comprise tender deposits, guarantee deposits, bank deposits restricted for use under court orders and amounts due from other third parties.

Movements on the Group's credit loss allowance for other receivables are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
At the beginning of the year/period	154	42	95	95	2,426
Credit loss allowance (reversed)/recognised, net *(Note 19)*	(112)	53	2,331	(36)	(211)
At the end of the year/period	42	95	2,426	59	2,215

(a) A full impairment provision of RMB2,000,000 was made as at 31 December 2022 and 30 June 2023 against the tender deposit provided by the Group to a tenderee, which failed to refund the deposit when the Group decided not to proceed with the tender. The Group has taken legal action against the tenderee to recover the deposit, and a full provision was made after considering the financial capability of the tenderee.

(iv) *Credit risk of amounts due from related parties*

The management consider the credit risk on the amounts due from related parties of the Group is low as no default in payment was noted.

(c) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or where appropriate adjust financing arrangements to meet the Group's liquidity requirements. The Group's liquidity risk management also takes into account all available information on business environment, including, among others, the macro-economic environment affecting the economies of the region in which the Group and its customers and suppliers operate.

Contract assets consist of unbilled revenue and retention monies receivables. In line with industry practice, the Group is only entitled to bill and receive payments from the customers when the settlement audit for the completed work is completed in accordance with the internal approval procedures of the customers. Cash flow mismatch arises during construction period when the Group makes payments for construction costs before reaching the milestone that the Group is entitled to bill the customers, despite the project is expected to generate positive cash flows as a whole when the project progresses towards completion.

Furthermore, a large number of the Group's customers are Government-related entities which may require complex internal settlement procedures and generally take more time to settle their trade payables, and therefore, there may exist a gap between the due date of payments to the Group's vendors and the date of the Group's submission of progress billings. Despite the collection cycle from these Government-related customers is generally longer, the Group anticipates the contract assets and trade receivables from these customers can be realised in cash within the normal operating cycle.

Meanwhile, since the second half of 2021, the domestic real estate industry has experienced drastic challenges, which resulted in a significant deterioration of the liquidity of non-state-owned property developers. It is uncertain if and when the difficult business environment confronting the real estate industry could subside in the near future. Amid the severe challenges faced by the industry, the Group actively maintained its relationship with customers from the real-estate industry in order to minimise the impact on the Group's liquidity and financial performance. The Group also sought to reduce the level of contract assets and trade receivables with non-state-owned property developers to abate operational risks, while maintaining business volume. The total balance of contract assets and trade receivables with the non-state-owned property developers was RMB340 million, RMB522 million, RMB271 million and RMB237 million as at 31 December 2020, 2021 and 2022 and 30 June 2023.

The directors of the Company have given careful consideration of the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient resources to continue as a going concern. For this purpose, the directors have prepared a cash flow forecast covering a period of 12 months from 30 June 2023 taken into account of the anticipated cash flows to be generated from the Group's operations. In particular, due to the liquidity issue confronting Customer 2 mentioned in note 3.1 (b)(ii)(b), the directors of the Company have prepared a stress test assuming Customer 2 would not make payments to the Group from August 2023 to 30 June 2024. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2023. Accordingly, the directors of the Company consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The preparation of the cash flow forecast is based on the directors' estimation of future transactions and cash flows and other assumptions about the future. Actual cash flows may be different from those estimated since anticipated events may not occur as expected and unforeseen events may arise, and their impact on the cash flow forecasts may be material.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Over 2 years	Total contractual cash flows	Carrying amount liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020					
Trade and other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	729,620	—	—	729,620	729,620
Amounts due to related parties *(Note 27)*	73,588	—	—	73,588	73,588
Lease liabilities *(Note 14)*	1,021	1,027	—	2,048	1,918
	804,229	1,027	—	805,256	805,126
As at 31 December 2021					
Trade and other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	897,167	—	—	897,167	897,167
Amounts due to related parties *(Note 27)*	147,589	—	—	147,589	147,589
Lease liabilities *(Note 14)*	1,273	257	159	1,689	1,612
	1,046,029	257	159	1,046,445	1,046,368
As at 31 December 2022					
Trade and other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	1,096,684	—	—	1,096,684	1,096,684
Amounts due to related parties *(Note 27)*	11,485	—	—	11,485	11,485
Lease liabilities *(Note 14)*	1,328	1,140	30	2,498	2,397
	1,109,497	1,140	30	1,110,667	1,110,566
As at 30 June 2023					
Trade and other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	933,375	—	—	933,375	933,375
Amounts due to related parties *(Note 27)*	11,832	—	—	11,832	11,832
Lease liabilities *(Note 14)*	1,361	539	33	1,933	1,849
	946,568	539	33	947,140	947,056

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, raise new capital or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital (the total of net debt/(cash) and total equity). The gearing ratios as at 31 December 2020, 2021 and 2022, and 30 June 2023 were as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Lease liabilities *(Note 14)*	1,918	1,612	2,397	1,849
Amounts due to related parties (non-trade in nature) *(Note 27)*	73,588	147,589	11,485	11,832
Less:				
Cash and cash equivalents *(Note 20)*	(20,735)	(41,072)	(112,117)	(96,754)
Net debt/(cash)	54,771	108,129	(98,235)	(83,073)
Total equity	98,952	136,593	327,062	337,849
Total capital	153,723	244,722	228,827	254,776
Gearing ratio	36%	44%	N/A*	N/A*

Changes in the gearing ratio during the Track Record Period were primarily attributable to the level and timing of cash contributions from shareholders (Note 22(c)) and the capitalisation of amounts due to shareholders into equity (Note 22(e)).

* The gearing ratio was presented as N/A as at 31 December 2022 and 30 June 2023 due to the net cash position.

3.3 Fair value estimation

The carrying amounts of the current portion of the Group's financial assets and liabilities including trade and bills receivables, deposits and other receivables, amounts due from related parties, restricted bank deposits, cash and cash equivalents, trade and other payables, amounts due to related parties and lease liabilities approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Revenue recognised for provision of construction services

For construction services contracts, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the progress towards complete satisfaction of that performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each construction contract. Total estimated costs are prepared by the management on the basis of contract concluded with and/or quotations provided by the major sub-contractors, suppliers or vendors involved from time to time and the experience of the management. The profitability of each project is dependent on the estimation of the total outcome of the contract, as well as the work done up to date. The Group's management reviews and revises the estimates of contract revenue, contract costs to completion, variation orders and contract claims prepared for each construction contract as the contract progresses. Significant judgement is required in estimating the contract revenue, contract costs to completion, outcome of variation works and contract claims which may have an impact in terms of progress towards complete satisfaction of the performance obligations and recognition of profit. Actual outcomes of total contract revenue and contract costs may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment of trade and other receivables and contract assets

The Group makes allowances on trade and other receivables and contract assets based on assumptions about risk of default and expected credit loss rates. The Group uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and contract assets and impairment charge in the periods in which such estimate has been changed. For details of the key assumptions and inputs used in the impairment assessment, see Note 3.1(b).

(c) Income taxes

The Group is subject to income taxes mainly in the PRC. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax expense in the periods in which such estimate is changed.

(d) Useful lives of the construction licences

The Group's construction licences are amortised on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the construction licences regularly in order to determine the amount of amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's intended period of use of the licences and the expectations to maintain and renew the licences under relevant laws and regulations in the PRC without significant cost of renewal. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

5 REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and its subsidiaries now comprising the Group principally engage in provision of construction services to the customers.

The CODM has been identified as the executive directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group has one operating segment being the provision of construction services.

Information relating to segment assets and liabilities is not disclosed as the Group monitors its assets and liabilities in one operating segment.

(a) Revenue

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from provision of construction services	1,331,204	1,346,219	1,378,055	371,857	495,780

All of the Group's revenue is recognised over time.

(b) Revenue from major customers who have individually contributed over 10% or more of the total revenue of the Group:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	*	*	151,424	70,597	*
Customer B	*	*	166,199	55,978	*
Customer C	*	*	168,065	55,851	*
Customer D	274,807	276,764	*	*	*
Customer E	215,271	281,533	205,806	*	*
Customer F	252,012	*	*	*	*
Customer G	*	*	*	*	66,692
Customer H	*	*	*	*	55,954

* Transactions with these customers did not exceed 10% of the Group's revenue in the respective years or periods.

Companies under the same ultimate controlling party are regarded as one customer when calculating the amount of revenue from major customers.

(c) Segment revenue by customers' geographical location

The Group is domiciled in the PRC. All revenue was derived from external customers in the PRC during the Track Record Period.

(d) Details of contract liabilities

	As at 1 January	As at 31 December			As at 30 June
	2020	**2020**	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Contract liabilities	18,237	43,188	14,936	21,917	20,813

(i) Contract liabilities of the Group mainly arose from advance payments made by customers while the underlying services are yet to be provided.

(ii) During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, brought-forward contract liabilities of approximately RMB17,939,000, RMB42,340,000, RMB9,145,000, and RMB17,759,000 at the beginning of the year/period were recognised as revenue, respectively.

(e) Unsatisfied contracts related to construction services:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Expected to be recognised within one year	920,775	471,656	968,196	1,104,565
Expected to be recognised after one year	234,195	183,188	332,777	362,811
Total transaction price allocated to the unsatisfied contracts	1,154,970	654,844	1,300,973	1,467,376

(f) Non-current assets by geographical location

As at 31 December 2020, 2021 and 2022, and 30 June 2023, all of the Group's non-current assets were located in the PRC.

6 EXPENSES BY NATURE

Expenses included in cost of revenue and administrative expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Raw materials and consumables used	590,708	627,486	616,065	177,076	245,118
Employee benefit expenses and labour subcontracting costs *(Note 7)*	400,984	421,072	432,056	109,141	136,608
Specialised construction subcontracting costs	217,025	131,078	167,627	44,814	45,067
Equipment and machinery usage costs	60,828	99,155	91,541	26,260	43,856
Design and testing service costs	2,498	3,672	4,530	1,326	2,483
Depreciation and amortisation expenses	2,977	3,227	3,465	1,672	1,758
— Depreciation of plant and equipment *(Note 13)*	27	44	104	36	79
— Depreciation of right-of-use assets *(Note 14)*	942	1,088	1,266	588	631
— Amortisation of intangible assets *(Note 15)*	2,008	2,095	2,095	1,048	1,048
[REDACTED]	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bank charges	553	996	1,248	427	1,091
Insurance expenses	2,044	2,690	2,081	704	914
Taxes, surcharge and levies	3,507	5,251	4,247	1,336	845
Professional fees	272	238	930	887	351
Travelling and entertainment expenses	566	569	388	279	242
Auditors' remuneration	44	645	169	149	30
Other expenses	2,775	3,824	4,521	1,832	2,858
	1,284,781	1,303,221	1,338,199	369,182	483,588

7 EMPLOYEE BENEFIT EXPENSES AND LABOUR SUBCONTRACTING COSTS

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Wages, salaries and bonuses	12,729	15,589	18,448	9,489	8,132
Pension costs — defined contribution plans (a)	44	954	2,267	1,057	1,083
Other employee benefits	1,659	1,127	1,472	689	620
	14,432	17,670	22,187	11,235	9,835
Labour subcontracting costs (b)	386,552	403,402	409,869	97,906	126,773
	400,984	421,072	432,056	109,141	136,608

(a) Pension costs — defined contribution plans

The employees of the Group's subsidiaries established in the PRC participate in defined contribution retirement benefit plans organised by the relevant provincial governments under which the Group is required to make monthly contributions to these plans at certain percentages of the employees' monthly salaries and wages, and has no obligations for the actual payment of pensions or post-retirement benefits beyond the contribution.

(b) Labour subcontracting costs arose from the Group's arrangements with labour subcontractors to gain access to construction workers without operational complexity for the Group's construction projects.

(c) Five highest paid individuals

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the five individuals whose emoluments were the highest in the Group include 1, 2, 2, 2 and 2 directors, respectively, whose emolument is reflected in the analysis presented in Note 7(d). The emoluments payable to the remaining individuals during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Wages, salaries and bonuses	650	775	847	386	387
Pension costs — defined contribution plans	1	12	76	33	42
Other employee benefits	26	17	43	19	20
	677	804	966	438	449

The emoluments of the remaining individuals fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
				(Unaudited)	
Emolument bands					
Nil – HKD500,000	4	3	3	3	3

(d) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2020:

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	41	—*	1	42
Executive director and CEO					
Mr. Xian (i)	—	134	—*	817	951
Total	—	175	—*	818	993

* Below RMB1,000.

For the year ended 31 December 2021:

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	368	4	2	374
Executive director and CEO					
Mr. Xian (i)	—	374	4	5	383
Total	—	742	8	7	757

For the year ended 31 December 2022:

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	358	13	7	378
Executive director and CEO					
Mr. Xian (i)	—	419	30	24	473
Total	—	777	43	31	851

For the six months ended 30 June 2023:

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	179	7	2	188
Executive director and CEO					
Mr. Xian (i)	—	180	17	12	209
Total	—	359	24	14	397

For the six months ended 30 June 2022 (Unaudited):

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	151	6	1	158
Executive director and CEO					
Mr. Xian (i)	—	182	13	7	202
Total	—	333	19	8	360

(i) Mr. Xian and Mr. Sang were appointed as directors of the Company on 2 February 2021. The remuneration shown above represented remuneration received and receivable from the Group by these executive directors in their capacity as employees or/and the directors of the companies now comprising the Group. Ms. [Liu Zhihong], Mr. [Zeng Qingli] and Mr. [Xie Huagang] were appointed as the Company's independent non-executive directors on [date]. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the independent non-executive directors have not yet been appointed and did not receive directors' remuneration in the capacity of independent non-executive directors.

(e) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the Track Record Period.

No payment was made to the directors as compensation for early termination of appointment during the Track Record Period.

(f) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services at the end of each reporting period or at any time during the Track Record Period.

(g) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities

Save as disclosed in Note 27, there were no loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities at the end of each reporting period or at any time during the Track Record Period.

(h) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 27, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each reporting period or at any time during the Track Record Period.

8 OTHER INCOME, (LOSSES)/GAINS — NET

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Consulting fee income	—	1,689	399	42	48
Government grants (a)	10	41	343	185	18
Claims or penalties (b)	(70)	(476)	(512)	(73)	(11)
Loss on disposal of plant and equipment	(4)	—	—	—	—
Gains on early termination of leases	—	—	1	—	6
Exchange gains/(losses)	—	66	(246)	(201)	(68)
Others	(148)	(154)	13	7	—*
	(212)	1,166	(2)	(40)	(7)

* Below RMB1,000.

(a) Government grants primarily related to subsidies received in connection with the Group's contributions to dedicated employment policies released by regional authorities. There were no unfulfilled conditions or contingencies relating to these grants.

(b) The Group was required to pay penalties in respect of certain claims arising from its construction operations. Such claims were primarily related to the Group being found non-compliance with the rules and regulations concerning environmental protection and occupational safety in some of the Group's construction projects.

9 FINANCE (COSTS)/INCOME — NET

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
— Interest income derived from bank deposits	60	96	148	48	181
Finance costs					
— Interest expense on factoring	—	—	(422)	—	(1,366)
— Interest expense on borrowing	(109)	—	—	—	—
— Interest expense on lease liabilities	(114)	(90)	(64)	(35)	(52)
	(223)	(90)	(486)	(35)	(1,418)
Finance (costs)/income — net	(163)	6	(338)	13	(1,237)

10 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	13,259	12,361	12,842	1,154	3,512
Deferred income tax *(Note 24)*	(7,618)	(1,342)	95	(1,387)	929
	5,641	11,019	12,937	(233)	4,441

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

(a) Cayman Islands and BVI Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, members of the Group incorporated in the Cayman Islands and the BVI are not subject to any income tax.

(b) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

(c) PRC Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its operations in the Chinese mainland was calculated at the rate of 25% on the assessable profits for the year/period presented, based on the existing legislation, interpretations and practices in respect thereof.

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rate applicable to profits/(losses) of the consolidated entities is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before income tax	19,200	39,095	38,262	(4,614)	15,228
Tax calculated at applicable corporate income tax rate	4,800	10,378	11,194	(582)	3,919
Tax effects of					
— Tax losses for which no deferred income tax asset was recognised	28	20	208	40	188
— Expenses not deductible for tax purposes	813	621	1,535	309	334
Income tax expense/(credit)	5,641	11,019	12,937	(233)	4,441

The Group only recognises deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilise those tax losses. Management did not recognise tax losses derived from certain branch offices and intermediate holding companies in the PRC of Zhongshen Jianye during the Track Record Period.

The tax losses shall expire in five years from the year of occurrence under current tax legislation. Details of expiring year of such tax losses are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Expiry year					
2025	112	112	112	112	112
2026	—	81	81	81	81
2027	—	—	730	161	730
2028	—	—	—	—	753
	112	193	923	354	1,676

11 EARNINGS/(LOSSES) PER SHARE

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) of the Group attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the Track Record Period.

In the calculation of weighted average number of ordinary shares outstanding for the Track Record Period, the 10,000 shares issued to owners of the Company during the Reorganisation had been adjusted retrospectively as if those shares had been issued since 1 January 2020.

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
Profit/(loss) attributable to owners of the Company (RMB'000)	13,559	28,076	25,325	(4,381)	10,787
Weighted average number of ordinary shares in issue	10,000	10,000	10,000	10,000	10,000
Basic earnings/(losses) per shares (expressed in RMB thousand per share)	1.36	2.81	2.53	(0.44)	1.08

Diluted earnings/(losses) per share is equal to basic earnings/(losses) per share as there was no potential diluted shares outstanding for the Track Record Period.

12 DIVIDENDS

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

13 PLANT AND EQUIPMENT

	Computers and office equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
As at 1 January 2020				
Cost	27	13	—	40
Accumulated depreciation	(7)	(5)	—	(12)
Net book amount	20	8	—	28
Year ended 31 December 2020				
Opening net book amount	20	8	—	28
Additions	38	60	—	98
Disposals	—	(4)	—	(4)
Depreciation *(Note 6)*	(15)	(12)	—	(27)
Closing net book amount	43	52	—	95

	Computers and office equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020				
Cost	65	69	—	134
Accumulated depreciation	(22)	(17)	—	(39)
Net book amount	43	52	—	95
Year ended 31 December 2021				
Opening net book amount	43	52	—	95
Additions	11	163	—	174
Depreciation *(Note 6)*	(20)	(24)	—	(44)
Closing net book amount	34	191	—	225
As at 31 December 2021				
Cost	76	232	—	308
Accumulated depreciation	(42)	(41)	—	(83)
Net book amount	34	191	—	225
Year ended 31 December 2022				
Opening net book amount	34	191	—	225
Additions	16	21	494	531
Depreciation *(Note 6)*	(17)	(61)	(26)	(104)
Closing net book amount	33	151	468	652
As at 31 December 2022				
Cost	92	253	494	839
Accumulated depreciation	(59)	(102)	(26)	(187)
Net book amount	33	151	468	652
Six months ended 30 June 2023				
Opening net book amount	33	151	468	652
Additions	39	17	—	56
Depreciation *(Note 6)*	(9)	(31)	(39)	(79)
Closing net book amount	63	137	429	629

	Computers and office equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2023				
Cost	131	270	494	895
Accumulated depreciation	(68)	(133)	(65)	(266)
Net book amount	63	137	429	629
Six months ended 30 June 2022 (Unaudited)				
Opening net book amount	34	191	—	225
Depreciation *(Note 6)*	(7)	(29)	—	(36)
Closing net book amount	27	162	—	189
As at 30 June 2022 (Unaudited)				
Cost	76	232	—	308
Accumulated depreciation	(49)	(70)	—	(119)
Net book amount	27	162	—	189

Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Administrative expenses	27	44	104	36	79

14 LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets				
Offices	1,882	1,465	2,337	1,780
Lease liabilities				
Current	917	1,224	1,248	1,286
Non-current	1,001	388	1,149	563
	1,918	1,612	2,397	1,849

Additions to the right-of-use assets during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 were RMB80,000, RMB671,000, RMB2,165,000, RMB183,000 and RMB100,000 respectively.

(b) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation charge of right-of-use assets					
Offices	942	1,088	1,266	588	631
Interest expense (included in finance costs)	114	90	64	35	52
Expense relating to short-term leases (included in cost of revenue)	60,828	99,155	91,541	26,260	43,856

The total cash outflow for leases during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 was RMB59,218,000, RMB100,027,000, RMB51,496,000, RMB25,449,000 and RMB74,576,000, respectively.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices, equipment and machinery. Rental contracts for equipment and machinery are typically made for a lease period of less than one year or without a fixed lease period. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security purposes.

15 INTANGIBLE ASSETS

	Construction licences	Software	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2020			
Cost	20,000	—	20,000
Accumulated amortisation	(3,500)	—	(3,500)
Net book amount	16,500	—	16,500
Year ended 31 December 2020			
Opening net book amount	16,500	—	16,500
Additions	—	944	944
Amortisation charge *(Note 6)*	(2,000)	(8)	(2,008)
Closing net book amount	14,500	936	15,436
As at 31 December 2020			
Cost	20,000	944	20,944
Accumulated amortisation	(5,500)	(8)	(5,508)
Net book amount	14,500	936	15,436
Year ended 31 December 2021			
Opening net book amount	14,500	936	15,436
Amortisation charge *(Note 6)*	(2,000)	(95)	(2,095)
Closing net book amount	12,500	841	13,341
As at 31 December 2021			
Cost	20,000	944	20,944
Accumulated amortisation	(7,500)	(103)	(7,603)
Net book amount	12,500	841	13,341

	Construction licences	Software	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022			
Opening net book amount	12,500	841	13,341
Amortisation charge *(Note 6)*	(2,000)	(95)	(2,095)
Closing net book amount	10,500	746	11,246
As at 31 December 2022			
Cost	20,000	944	20,944
Accumulated amortisation	(9,500)	(198)	(9,698)
Net book amount	10,500	746	11,246
Six months ended 30 June 2023			
Opening net book amount	10,500	746	11,246
Amortisation charge *(Note 6)*	(1,000)	(48)	(1,048)
Closing net book amount	9,500	698	10,198
As at 30 June 2023			
Cost	20,000	944	20,944
Accumulated amortisation	(10,500)	(246)	(10,746)
Net book amount	9,500	698	10,198
(Unaudited)			
Six months ended 30 June 2022			
Opening net book amount	12,500	841	13,341
Amortisation charge *(Note 6)*	(1,000)	(48)	(1,048)
Closing net book amount	11,500	793	12,293
(Unaudited)			
As at 30 June 2022			
Cost	20,000	944	20,944
Accumulated amortisation	(8,500)	(151)	(8,651)
Net book amount	11,500	793	12,293

(a) Construction licences were contributed by the ultimate controlling shareholder of the Group for nil consideration. The construction licences were initially recognised at their estimated fair values. The capital reserves account in shareholders' equity has been increased at the time of contribution by the amount of the estimated fair value of the licences.

(b) Amortisation has been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Administrative expenses	2,008	2,095	2,095	1,048	1,048

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost				
Trade receivables *(Note 18)*	219,308	268,548	187,374	127,613
Bills receivables *(Note 18)*	5,600	—	28,009	1,500
Other receivables *(Note 19)*	7,796	10,548	39,672	7,433
Amounts due from related parties *(Note 27)*	—	—	47	26
Restricted bank deposits *(Note 20)*	15,683	14,167	27,977	24,372
Cash and cash equivalents *(Note 20)*	20,735	41,072	112,117	96,754
	269,122	334,335	395,196	257,698
Financial liabilities at amortised cost				
Trade payables *(Note 23)*	724,170	891,789	1,091,566	926,100
Other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	5,450	5,378	5,118	7,275
Amounts due to related parties *(Note 27)*	73,588	147,589	11,485	11,832
Lease liabilities *(Note 14)*	1,918	1,612	2,397	1,849
	805,126	1,046,368	1,110,566	947,056

The Company

	As at 31 December		As at 30 June
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost			
Amount due from a related party *(Note 19)*	—*	2	2
Amounts due from subsidiaries *(Note 19)*	16	—	—
Cash and cash equivalents	8	8	8
	24	10	10
Financial liabilities at amortised cost			
Other payables *(Note 23)*	[REDACTED]	[REDACTED]	[REDACTED]
Amount due to a related party *(Note 23)*	2,599	2,158	2,158
Amounts due to subsidiaries *(Note 23)*	1,139	13,933	14,940
	5,219	17,758	20,896

* Below RMB1,000.

17 INVENTORIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	148	352	304	238

No provision for inventories has been made during the Track Record Period.

18 CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES

(a) Contract assets

	As at 1 January	As at 31 December			As at 30 June
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unbilled revenue (i)	378,687	588,190	728,876	920,969	867,339
Retention monies (ii)	33,759	71,205	101,265	125,757	123,851
Less: provision for impairment of contract assets *(Note 3.1(b)(ii))*	(1,697)	(21,670)	(26,312)	(26,875)	(23,721)
	410,749	637,725	803,829	1,019,851	967,469

(i) Unbilled revenue is initially recognised for revenue earned from the provision of construction services as the billing of consideration is conditional on the acceptance by the customer. Upon acceptance by the customer, the amounts recognised as unbilled revenue can be billed and are reclassified to trade receivables.

(ii) Retention monies are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated balance sheets, retention receivables were classified as current assets based on its normal operating cycle.

(b) Trade and bills receivables

	As at 1 January	As at 31 December			As at 30 June
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (i)	91,130	226,542	276,162	193,348	132,672
Less: allowance for impairment of trade receivables *(Note (3.1(b)(ii))*	(247)	(7,234)	(7,614)	(5,974)	(5,059)
Trade receivables — net	90,883	219,308	268,548	187,374	127,613
Bills receivables (ii)	—	5,600	—	28,009	1,500
	90,883	224,908	268,548	215,383	129,113

(i) The Group normally allows credit terms to its customers within one month. Ageing analysis of trade receivables, based on invoice date, was as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	221,125	226,145	124,373	108,690
1 year to 2 years	5,417	49,157	32,596	16,622
Over 2 years	—	860	36,379	7,360
	226,542	276,162	193,348	132,672

(ii) Bills receivables represented bank acceptance bills received for payments from customers. Bills receivables are with maturity period of less than one year.

(iii) The Group's trade and bills receivables were denominated in RMB.

(iv) The Group does not hold any collateral as security.

19 DEPOSITS, OTHER RECEIVABLES, PREPAYMENTS AND AMOUNTS DUE FROM RELATED PARTIES

The Group

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	40,589	51,981	65,084	80,759
Prepayments for [REDACTED]	—	[REDACTED]	[REDACTED]	[REDACTED]
Prepayment for purchase of a property (d)	—	—	—	8,426
Deposits (a)	3,195	4,396	41,497	7,955
Amounts due from other third parties (b)	4,643	4,516	601	1,693
Bank deposits restricted for use under court orders (c)	—	1,731	—	—
Amounts due from related parties (b) *(Note 27)*	—	—	47	26
Less: allowance for impairment of other receivables *(Note 3.1(b)(iii))*	(42)	(95)	(2,426)	(2,215)
Total	48,385	64,425	108,874	101,400
Less: non-current portion	—	—	(214)	(8,736)
Current portion	48,385	64,425	108,660	92,664

As at 31 December 2020, 2021 and 2022, and 30 June 2023, the deposits, amounts due from related parties and amounts due from other third parties were denominated in RMB.

(a) As at 31 December 2020, 2021 and 2022, and 30 June 2023, the carrying amounts of deposits mainly includes tender deposits and guarantee deposits.

(b) As at 31 December 2020, 2021 and 2022, and 30 June 2023, the amounts due from related parties and amounts due from other third parties were unsecured, interest free and repayable on demand.

(c) As at 31 December 2021, the Group had bank deposits of RMB1,731,000 restricted for use under court orders applied by two suppliers which made legal claims against the Group in respect of trade disputes. In July 2022 and October 2022, the bank deposits restricted for use under court orders were released upon settlement of the legal claims.

(d) During the six months ended 30 June 2023, the Group entered into a purchase agreement whereby the Group agrees to acquire a commercial property in Guangming District in Shenzhen for a cash consideration of RMB42,130,000. A prepayment of RMB8,426,000 was made pursuant to the terms of the purchase agreement, and the remaining consideration is expected to be made before December 2023.

The Company

	As at 31 December		As at 30 June
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Prepayments for [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amount due from a related party *(Note 27)*	—*	2	2
Amount due from a subsidiary *(Note 27)*	16	—	—
	1,912	4,073	4,758

* Below RMB1,000.

As at 31 December 2021 and 2022, and 30 June 2023, amount due from a related party and amount due from a subsidiary were unsecured, interest free and repayable on demand.

20 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	36,418	55,239	140,094	121,126
Less: restricted bank deposits (a)	(15,683)	(14,167)	(27,977)	(24,372)
Cash and cash equivalents	20,735	41,072	112,117	96,754

The cash at banks and on hand were denominated in the following currencies:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	36,418	55,214	139,970	120,674
HKD	—	25	124	452
	36,418	55,239	140,094	121,126

(a) Restricted bank deposits represented deposits in designated bank accounts confined to be used for the settlement of the wages of peasant labours deployed for construction projects.

21 SHARE CAPITAL

The Group and the Company

Movements in share capital of the Group and the Company during the Track Record Period comprised:

	Number of ordinary shares of HKD1.00 each	Nominal value of ordinary shares
		HKD'000
Authorised		
Ordinary shares of HKD1.00 each:		
As at 2 February 2021 (date of incorporation), 31 December 2021	100	—*
As at 1 January 2022	100	—*
Addition (a)	379,900	380
As at 31 December 2022	380,000	380
As at 1 January 2023 and as at 30 June 2023	380,000	380

	Number of ordinary shares of HKD1.00 each	Share capital	
		HKD'000	RMB'000
Issued			
Issue of shares as at 2 February 2021 (date of incorporation) *(Note 1.2(a))*	100	—*	—*
As at 31 December 2021	100	—*	—*
As at 1 January 2022	100	—*	—*
Issue of shares *(Note 1.2(c)(iii))*	9,900	10	9
As at 31 December 2022	10,000	10	9
As at 1 January 2023 and as at 30 June 2023	10,000	10	9

* Below RMB1,000.

(a) Pursuant to the resolution passed by the shareholders of the Company on 28 June 2022, the number of authorised shares of the Company was increased from 100 shares of HKD1.00 par value each to 380,000 shares of HKD1.00 par value each.

(b) [Pursuant to the resolutions passed by the shareholders' meeting on [date], conditional on the [REDACTED], the authorised shares of the Company has been increased to [●] shares of HKD1.00 par value each. An aggregate of [●] ordinary shares will be issued and allotted to the shareholders whose names appear on the register of members of the Company as of the date of these resolutions and [●] shares will be issued upon [REDACTED] in relation to the [REDACTED] on the condition of being approved for [REDACTED].]

22 OTHER RESERVES AND (ACCUMULATED LOSSES)/RETAINED EARNINGS

The Group

	Statutory reserves	Capital reserves	Retained earnings/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	2,320	20,500	21,073	43,893
Profit for the year	—	—	13,559	13,559
Appropriation to statutory reserves (b)	1,376	—	(1,376)	—
Cash contributions from shareholders (c)	—	41,500	—	41,500
Transfer from retained earnings to capital reserves (d)	—	38,000	(38,000)	—
As at 31 December 2020	3,696	100,000	(4,744)	98,952
As at 1 January 2021	3,696	100,000	(4,744)	98,952
Profit for the year	—	—	28,076	28,076
Appropriation to statutory reserves (b)	2,789	—	(2,789)	—
Cash contributions from shareholders (c)	—	9,565	—	9,565
Transfer from retained earnings to capital reserves (d)	—	30,000	(30,000)	—
As at 31 December 2021	6,485	139,565	(9,457)	136,593
As at 1 January 2022	6,485	139,565	(9,457)	136,593
Profit for the year	—	—	25,325	25,325
Appropriation to statutory reserves (b)	3,462	—	(3,462)	—
Cash contributions from shareholders (c)	—	22,435	—	22,435
Capitalisation of amounts due to shareholders (e)	—	143,920	—	143,920
Deemed distribution to shareholders pursuant to the Reorganisation (f)	—	(1,220)	—	(1,220)
As at 31 December 2022	9,947	304,700	12,406	327,053
As at 1 January 2023	9,947	304,700	12,406	327,053
Profit for the period	—	—	10,787	10,787
As at 30 June 2023	9,947	304,700	23,193	337,840
(Unaudited)				
As at 1 January 2022	6,485	139,565	(9,457)	136,593
Loss for the period	—	—	(4,381)	(4,381)
Cash contributions from shareholders (c)	—	22,435	—	22,435
Capitalisation of amounts due to shareholders (e)	—	143,920	—	143,920
Deemed distribution to shareholders pursuant to the Reorganisation (f)	—	(1,220)	—	(1,220)
As at 30 June 2022	6,485	304,700	(13,838)	297,347

(a) As at 1 January 2020, the capital reserves comprised the paid-up capital of Zhongshen Jianye of RMB500,000 and the contribution from Mr. Sang of construction licences with an initial fair value of RMB20,000,000 to Zhongshen Jianye (Note 15(a)).

(b) In accordance with the relevant laws and regulations in the PRC and the Articles of Association of the subsidiaries, the Group's entities established in the PRC are required to appropriate 10% of the annual statutory net profits after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the contributed capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into contributed capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of contributed capital.

(c) During the year ended 31 December 2020, Mr. Sang and Mr. Xian paid cash of RMB33,100,000 and RMB8,400,000, respectively, as the registered capital of Zhongshen Jianye.

Pursuant to a capital increase agreement entered into among Zhongshen Jianye, Lefu Capital, Mr. Sang and Mr. Xian on 19 November 2021, Lefu Capital subscribed for 8% equity interest in Zhongshen Jianye for RMB32 million. The consideration of RMB9,565,000, RMB12,515,000 and RMB9,920,000 were paid in December 2021, March 2022 and June 2022 respectively (Note 1.2(c)(i)).

(d) Pursuant to resolutions passed by the shareholders of Zhongshen Jianye on 20 November 2020 and 9 May 2021, registered capital of Zhongshen Jianye in the amount of RMB38,000,000 and RMB30,000,000, respectively, was paid up from its undistributed profit.

(e) Pursuant to the agreements dated 31 January 2022 entered into among Zhongshen Jianye and its shareholders and a resolution passed by the shareholders of Zhongshen Jianye on 22 February 2022, the shareholders resolved to pay up registered capital in the amount of approximately RMB143,920,000 by capitalising the advance from shareholders into equity.

(f) Pursuant to an equity transfer agreement entered into among Zhongshen Mingye, Mr. Sang and Mr. Xian dated 5 January 2022, Mr. Sang and Mr. Xian transferred their 1% equity interests in Zhongshen Jianye (Shenzhen) to Zhongshen Mingye for a consideration of RMB1,220,000 (Note 1.2(c)). The consideration payable to the shareholders was regarded as deemed distributions to shareholders. The deemed distribution was paid to the shareholders by Zhongshen Mingye on 30 August 2022.

The Company

	Capital reserves	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
As at 2 February 2021 (date of incorporation)	—	—	—
Loss for the period	—	(3,299)	(3,299)
Deemed contribution from shareholders pursuant to the Reorganisation (g)	139,981	—	139,981
As at 31 December 2021 and 1 January 2022	139,981	(3,299)	136,682
Loss for the year	—	(10,387)	(10,387)
Cash contributions from shareholders (Note 22 (c))	22,435	—	22,435
Capitalisation of amounts due to shareholders (Note 22 (e))	143,920	—	143,920
As at 31 December 2022 and 1 January 2023	306,336	(13,686)	292,650
Loss for the period	—	(2,453)	(2,453)
As at 30 June 2023	306,336	(16,139)	290,197
(Unaudited)			
As at 31 December 2021 and 1 January 2022	139,981	(3,299)	136,682
Loss for the period	—	(4,236)	(4,236)
Cash contributions from shareholders *(Note 22 (c))*	22,435	—	22,435
Capitalisation of amounts due to shareholders *(Note 22 (e))*	143,920	—	143,920
As at 30 June 2022	306,336	(7,535)	298,801

(g) Capital reserves of the Company represented the net assets value of the subsidiaries acquired pursuant to the Reorganisation (Note 1.2).

The list of subsidiaries of the Company is set out in Note 1.2.

23 TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO RELATED PARTIES

The Group

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (a)	724,170	891,789	1,091,566	926,100
Other payables and accruals (b)	17,431	13,352	43,954	37,770
	741,601	905,141	1,135,520	963,870
Amounts due to related parties *(Note 27)*	73,588	147,589	11,485	11,832
	815,189	1,052,730	1,147,005	975,702

The trade and other payables and amounts due to related parties were denominated in the following currencies:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	815,189	1,050,071	1,145,329	973,200
HKD	—	2,659	1,676	2,502
	815,189	1,052,730	1,147,005	975,702

(a) The ageing analysis of the trade payables based on invoice date were as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	560,709	707,449	648,196	451,911
1 year to 2 years	153,860	160,056	337,764	349,744
Over 2 years	9,601	24,284	105,606	124,445
	724,170	891,789	1,091,566	926,100

(b) Other payables and accruals

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued taxes and surcharges	9,412	3,602	34,233	26,982
Employee benefits accruals	2,559	4,136	3,852	3,503
Advance from a customer (i)	3,000	3,000	3,000	3,000
[REDACTED] payables	—	[REDACTED]	[REDACTED]	[REDACTED]
Other operating expenses payables and accruals	2,460	1,134	1,202	487
	17,431	13,352	43,954	37,770

(i) Advance from a customer represented guarantee deposits for the settlement of the wages of peasant labours (Note 20(a)) paid by a customer to one of the Group's designated bank account. Such advance was unsecured, interest free and would be settled when the project is completed.

The Company

	As at 31 December		As at 30 June
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
[REDACTED] payables	[REDACTED]	[REDACTED]	[REDACTED]
Other payables	1	—	—
	[REDACTED]	[REDACTED]	[REDACTED]
Amounts due to a related party *(Note 27)*	2,599	2,158	2,158
Amounts due to subsidiaries *(Note 27)*	1,139	13,933	14,940
	5,219	17,758	20,896

24 DEFERRED INCOME TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority.

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets (a)	9,219	10,561	10,466	9,537
Deferred income tax liabilities	—	—	—	—
	9,219	10,561	10,466	9,537

(a) Deferred income tax assets

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Provision for impairment	Others	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2020	525	1,076	1,601
Credited to profit or loss *(Note 10)*	6,712	906	7,618
As at 31 December 2020	7,237	1,982	9,219
As at 1 January 2021	7,237	1,982	9,219
Credited to profit or loss *(Note 10)*	1,269	73	1,342
As at 31 December 2021	8,506	2,055	10,561
As at 1 January 2022	8,506	2,055	10,561
Credited/(charged) to profit or loss *(Note 10)*	313	(408)	(95)
As at 31 December 2022	8,819	1,647	10,466
As at 1 January 2023	8,819	1,647	10,466
(Charged)/credited to profit or loss *(Note 10)*	(1,070)	141	(929)
As at 30 June 2023	7,749	1,788	9,537
(Unaudited)			
As at 1 January 2022	8,506	2,055	10,561
Credited/(charged) to profit or loss *(Note 10)*	1,815	(428)	1,387
As at 30 June 2022	10,321	1,627	11,948

25 CASH FLOW INFORMATION

(a) Reconciliation of profit/(loss) before income tax to cash (used in)/generated from operations

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before income tax	19,200	39,095	38,262	(4,614)	15,228
Adjustments for:					
— Depreciation of plant and equipment *(Note 6)*	27	44	104	36	79
— Depreciation of right-of-use assets *(Note 6)*	942	1,088	1,266	588	631
— Amortisation of intangible assets *(Note 6)*	2,008	2,095	2,095	1,048	1,048
— Impairment losses/(reversal of impairment losses) on financial assets and contract assets *(Note 3.1(b))*	26,848	5,075	1,254	7,262	(4,280)
— Finance costs *(Note 9)*	223	90	486	35	1,418
— Foreign exchange (gains)/ losses	—	(4)	(96)	(39)	18
— Gains on early termination of leases *(Note 8)*	—	—	(1)	—	(6)
— Loss on disposal of plant and equipment *(Note 8)*	4	—	—	—	—
	49,252	47,483	43,370	4,316	14,136
Changes in working capital:					
— Inventories	(40)	(204)	48	148	66
— Restricted bank deposits	(7,380)	1,516	(13,810)	(1,906)	3,605
— Trade and bills receivables	(141,012)	(44,020)	54,805	33,417	87,185
— Deposits, other receivables and prepayments	27,524	(15,170)	(44,097)	26,121	16,504
— Contract assets	(246,949)	(170,746)	(216,585)	(22,672)	55,536
— Contract liabilities	24,951	(28,252)	6,981	(2,912)	(1,104)
— Trade and other payables	278,349	163,540	230,385	(35,174)	(171,650)
Net cash (used in)/generated from operations	(15,305)	(45,853)	61,097	1,338	4,278

(b) Reconciliation of liabilities arising from financing activities

	Borrowing	Lease liabilities	Amounts due to related parties (non-trade in nature)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	2,600	2,745	84,738	90,083
Financing cash flows				
— Principal	(2,600)	(907)	(11,150)	(14,657)
— Interest	(109)	(114)	—	(223)
Non-cash items:				
— Acquisition — leases	—	80	—	80
— Interest expenses recognised	109	114	—	223
As at 31 December 2020	—	1,918	73,588	75,506
As at 1 January 2021	—	1,918	73,588	75,506
Financing cash flows				
— Principal	—	(977)	74,001	73,024
— Interest	—	(90)	—	(90)
Non-cash items:				
— Acquisition — leases	—	671	—	671
— Interest expenses recognised	—	90	—	90
As at 31 December 2021	—	1,612	147,589	149,201
As at 1 January 2022	—	1,612	147,589	149,201
Financing cash flows				
— Principal	—	(1,352)	6,596	5,244
— Interest	(422)	(64)	—	(486)
Non-cash items:				
— Acquisition — leases	—	2,165	—	2,165
— Interest expenses recognised	422	64	—	486
— Capitalisation of amounts due to shareholders *(Note 25(c))*	—	—	(143,920)	(143,920)
— Early termination of a lease	—	(28)	—	(28)
— Deemed distribution to shareholders pursuant to the Reorganisation *(Note 22(f))*	—	—	1,220	1,220
As at 31 December 2022	—	2,397	11,485	13,882
As at 1 January 2023	—	2,397	11,485	13,882
Financing cash flows				
— Principal	—	(616)	347	(269)
— Interest	(1,366)	(52)	—	(1,418)
Non-cash items:				
— Acquisition — leases	—	100	—	100
— Interest expenses recognised	1,366	52	—	1,418
— Early termination of a lease	—	(32)	—	(32)
As at 30 June 2023	—	1,849	11,832	13,681

	Borrowing	Lease liabilities	Amounts due to related parties (non-trade in nature)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				
As at 1 January 2022	—	1,612	147,589	149,201
Financing cash flows				
— Principal	—	(623)	1,906	1,283
— Interest	—	(35)	—	(35)
Non-cash items:				
— Acquisition — leases	—	183	—	183
— Interest expenses recognised	—	35	—	35
— Capitalisation of amounts due to shareholders *(Note 25(c))*	—	—	(143,920)	(143,920)
— Deemed distribution to shareholders pursuant to the Reorganisation	—	—	1,220	1,220
As at 30 June 2022	—	1,172	6,795	7,967

(c) Significant non-cash transactions

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Capitalisation of amounts due to shareholders *(Note 22(e))*	—	—	143,920	143,920	—

26 COMMITMENTS

(a) Capital commitments

As at 30 June 2023, the Group committed to pay outstanding balance of RMB33,704,000 according to a purchase agreement to acquire a commercial property (Note 19(d)) as at 30 June 2023.

The Group did not have any significant capital commitments as at 31 December 2020, 2021 and 2022.

(b) Operating lease commitments

The Group had future aggregate minimum lease payable under non-cancellable operating leases in respect of office premises as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Office:				
— Less than 1 year	32	—	—	—

27 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) Name and relationship with related parties

The following individuals/entities are related parties of the Group that had balances and/or transactions with the Group as at/during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

Name	Relationship
Mr. Sang	Director and ultimate controlling shareholder of the Company
Mr. Xian	Director and substantial shareholder of the Company
Zhongshen Hengtai	Immediate holding company of the Company
Zhongshen Chitai	Shareholder of the Company

(b) Balances with related parties

The Group

Non-trade in nature:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
(i) Amounts due from related parties: *(Note 19)*				
— Mr. Xian	—	—	34	—
— Zhongshen Chitai	—	—	13	26
	—	—	47	26
(ii) Amounts due to related parties: *(Note 23)*				
— Mr. Xian	26,282	98,750	—	11
— Mr. Sang	47,306	46,180	—	—
— Zhongshen Hengtai	—	2,659	11,485	11,821
	73,588	147,589	11,485	11,832

The above balances with related parties were non-trade in nature, unsecured, interest-free and repayable on demand. In February 2022, amounts due to Mr. Xian and Mr. Sang of approximately RMB62,440,000 and RMB81,480,000 were capitalised into equity respectively (Note 22(e)). [All outstanding balance of the amounts due to related parties will be settled before the [REDACTED]].

The Company

The Company had the following balance with related parties:

Non-trade in nature:

	As at 31 December		As at 30 June
	2021	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**
(i) Amounts due from a related party: *(Note 19)*			
— Zhongshen Chitai	—*	2	2
(ii) Amount due from a subsidiary: *(Note 19)*			
— Zhongshen Xihe	16	—	—
(iii) Amount due to a related party: *(Note 23)*			
— Zhongshen Hengtai	2,599	2,158	2,158
(iv) Amounts due to subsidiaries: *(Note 23)*			
— Zhongshen Ximing	—	9,072	9,072
— Zhongshen Jianye	1,139	4,861	5,868
	1,139	13,933	14,940

* Below RMB1,000.

The above balances with related parties were non-trade in nature, unsecured, interest-free and repayable on demand.

(c) Key management compensation

Key management includes chairman, executive directors and senior management of the Group.

The compensation paid or payable to the key management during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, including those paid or payable to the executive directors disclosed in Note 7, are shown as below.

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Wages, salaries and bonuses	1,368	1,860	2,207	926	1,040
Pension costs — defined contribution plans	—	38	159	70	88
Other employee benefits	13	34	104	42	51
	1,381	1,932	2,470	1,038	1,179

(d) Guarantee provided to Mr. Sang in respect of his bank loan:

On 16 July 2020, the Group entered into an agreement to provide guarantee for a bank loan to Mr. Sang with principal amount of RMB4,400,000, which matured in three years from 16 July 2020. The loan was early repaid on 16 July 2022, and the guarantee was released accordingly.

28 INVESTMENT IN A SUBSIDIARY — THE COMPANY

	As at 31 December		As at 30 June
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Investment in a subsidiary — at cost *(Note 22(g))*	139,981	306,336	306,336

29 CONTINGENCIES

The Group has been involved in certain claims/litigations in respect of its construction operations. After seeking legal advice, the directors of the Company are of the opinion that either an adequate provision for liability has been made or assets have been written down to its recoverable value.

30 EVENT AFTER THE BALANCE SHEET DATE

[Save as disclosed in Note [3.1(b)(ii)(b)], there is no significant subsequent event after the balance sheet date.]

III. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2023.]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 February 2021 under the Companies Act (As Revised) of the Cayman Islands (the "Companies Act"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were [conditionally] adopted on [●] [with effect from the [REDACTED]]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) ***Alteration of capital***

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) ***Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) ***Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) ***Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or (bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any general meeting of any class of members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members entitled to vote and present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy. In respect of a separate class meeting convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 12 October 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents on display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 2 February 2021. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 March 2022 and our principal place of business in Hong Kong is at Room 1204, 12/F, C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong. Mr. Ng Ka Chai has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Act and certain provisions of the Articles of Association is set out in Appendix III to this document.

2. Changes in share capital of our Company

(a) As at the date of incorporation of our Company, the authorised share capital was HK$100 divided into 100 shares of HK$1.00 each. On 2 February 2021, one fully-paid share of our Company was issued and allotted to the initial subscriber, which was then transferred to Zhongshen Hengtai for the consideration of HK$1.00, followed by the allotment and issue of 79 and 20 shares of our Company to Zhongshen Hengtai and Zhongshen Chitai respectively for cash at par.

(b) On 28 June 2022, our Shareholders resolved to increase the authorised share capital of our Company from HK$100 to HK$380,000 by the creation of an additional of 379,900 shares of HK$1.00 each of our Company, each ranking *pari passu* with the shares of HK$1.00 each of our Company then in issue in all respects.

(c) On 29 June 2022, 7,280 and 1,820 shares of HK$1.00 each of our Company were issued and allotted to Zhongshen Hengtai and Zhongshen Chitai respectively for cash at par. Pursuant to the Reorganisation and on 30 June 2022, our Company issued and allotted 800 shares of HK$1.00 each, credited as fully paid, to Xinyao Investment in consideration of the acquisition of the entire issued share capital of Lefu Capital from Xinyao Investment by Zhongshen Xihe, a wholly-owned subsidiary of our Company.

(d) On [●], each issued and unissued ordinary share of our Company of HK$1.00 each was sub-divided into 100 Shares of HK$0.01 each and following the sub-division of share capital of our Company, the authorised share capital of our Company became

HK$380,000 divided into 38,000,000 Shares of HK$0.01 par value each and our issued share capital became HK$10,000 divided into 1,000,000 Shares of HK$0.01 par value each.

(e) On [●], following the share sub-division described in sub-paragraph (d) above, the authorised share capital of our Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking *pari passu* with the existing Shares then in issue in all respects.

(f) Immediately following completion of the [REDACTED] and the Capitalisation Issue, [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

(g) Other than pursuant to the general mandate to issue Shares referred to in the paragraph "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on [●]" in this appendix, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(h) Save as disclosed in the section headed "Share Capital" in this document and in the paragraph headed "2. Changes in share capital of our Company", there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on [●]

By written resolutions of our Shareholders passed on [●]:

(a) our Company approved and adopted the Memorandum of Association with immediate effect and the Articles of Association conditionally with effect from the [REDACTED], the terms of the Articles of Association are summarised in Appendix III to this document;

(b) conditional on the[REDACTED] granting the [REDACTED] of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this document and on the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before the date falling 30 days after the date of this document:

  (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] to rank *pari passu* with the Shares then in issue in all respects; and

(ii) conditional further on the share premium account of our Company being credited as a result of the [REDACTED], the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK$[REDACTED] standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par [REDACTED] Shares for allotment and issue to our Shareholders as the person whose name appeared on the register of members of our Company at the close of business on [●] (or as it may direct), each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

(c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under any share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum of Association and the Articles of Association or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the [REDACTED], Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue, and such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Companies Act or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue, and such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Companies Act or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

(e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue.

4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the [REDACTED] and our Company became the holding company of our Group. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and corporate structure — Corporate Reorganisation" in this document.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this document.

Save as disclosed above, and as mentioned in the paragraph headed "A. Further information about our Company — 4. Corporate reorganisation" in this appendix above and in the section headed "History, Reorganisation and corporate structure — Corporate Reorganisation" in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the document concerning the repurchase of our Shares by our Company.

(a) ***Provisions of the Listing Rules***

The Listing Rules permit companies with a primary [REDACTED] on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on [●], a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Companies Act or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles of Association and subject to the Companies Act, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) ***Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue after completion of the [REDACTED] and the Capitalisation Issue, could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) ***Funding of repurchase***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) ***General***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with

Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the [REDACTED] falling below [REDACTED]% of the total number of Shares in issue (or such other percentage as may be prescribed as the [REDACTED] under the Listing Rules).

No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material in relation to the business of our Company as a whole:

(a) a capital increase agreement dated 19 November 2021 entered into between Lefu Capital, Zhongshen Jianye, Mr. Sang and Mr. Xian pursuant to which, among others, Lefu Capital subscribed for an aggregate of 8% registered capital of Zhongshen Jianye at a cash consideration of RMB32,000,000;

(b) an equity transfer agreement dated 21 December 2021 entered into between Mr. Xian, Mr. Sang and Zhongshen Jianye (Shenzhen) pursuant to which (i) Mr. Xian transferred 18.4% equity interest in Zhongshen Jianye to Zhongshen Jianye (Shenzhen) in return for 0.2% equity interest in Zhongshen Jianye (Shenzhen); and (ii) Mr. Sang transferred 73.6% equity interest in Zhongshen Jianye to Zhongshen Jianye (Shenzhen) in return for 0.8% equity interest in Zhongshen Jianye (Shenzhen);

(c) an equity transfer agreement dated 5 January 2022 entered into between Mr. Sang and Zhongshen Mingye pursuant to which Mr. Sang transferred 0.8% equity interest in Zhongshen Jianye (Shenzhen) to Zhongshen Mingye at a cash consideration of RMB976,000;

(d) an equity transfer agreement dated 5 January 2022 entered into between Mr. Xian and Zhongshen Mingye pursuant to which Mr. Xian transferred 0.2% equity interest in Zhongshen Jianye (Shenzhen) to Zhongshen Mingye at a cash consideration of RMB244,000;

(e) a debt transfer agreement dated 22 February 2022 entered into between Mr. Sang and Zhongshen Jianye (Shenzhen) pursuant to which Mr. Sang (one of the ultimate beneficial owners of Zhongshen Jianye (Shenzhen)) transferred to Zhongshen Jianye (Shenzhen) the debt in the sum of RMB81,479,543.36 owed to him from Zhongshen Jianye without consideration;

(f) a debt transfer agreement dated 22 February 2022 entered into between Mr. Xian and Zhongshen Jianye (Shenzhen) pursuant to which Mr. Xian (one of the ultimate beneficial owners of Zhongshen Jianye (Shenzhen)) transferred to Zhongshen Jianye (Shenzhen) the debt in the sum of RMB62,440,472.64 owed to him from Zhongshen Jianye without consideration;

(g) a sale and purchase agreement dated 30 June 2022 entered into between Xinyao Investment, Zhongshen Xihe, our Company and Ms. Hou pursuant to which Zhongshen Xihe acquired the entire issued share capital of Lefu Capital from Xinyao Investment at the consideration of RMB32,012,818.21 to be satisfied by the issue and allotment of an aggregate of 800 shares of HK$1.00 each of the Company, credited as fully paid, to Xinyao Investment;

(h) a purchase agreement dated 7 June 2023 (as supplemented on 7 August 2023) entered into between Shenzhen Huaqiang High-tech Industrial Park Investment Development Co., Ltd.* (深圳華強高新產業園投資發展有限公司) and Zhongshen Jianye pursuant to which Zhongshen Jianye agreed to acquire a research and development plant situated at Block B, Building 4, Phase II of Huaqiang Creative Industrial Park Units 601, 602, 603, 604, 605, 606, 607, 608, 801, 802, 803, 804, 805, 806, 807, 808, 901, 902, 903, 904, 905, 906, 907, 908* (華強創意產業園項目的二期4棟B座601, 602, 603, 604, 605, 606, 607, 608, 801, 802, 803, 804, 805, 806, 807, 808, 901, 902, 903, 904, 905, 906, 907, 908單元) with a total gross floor area of 4,299.02 square meter at consideration RMB42,130,396.00;

(i) the Deed of Indemnity; and

(j) the [REDACTED].

2. Intellectual property rights

Set out below is a summary of our material intellectual property rights. Our material intellectual property rights were determined by our Directors on the basis of their materiality to our business operation, financial position and prospects.

As at the Latest Practicable Date, members of our Group have registered the following patents which are material to our business operation, financial position and prospects:

No.	Title	Type	Place of registration	Registration number	Date of grant	Date of expiry
1.	A cement laying device for construction engineering (一種建築工程用水泥鋪設裝置)	Invention	The PRC	ZL201910591703.9	1 October 2021	3 July 2039
2.	A wall grooving device for building (一種建築用牆體開槽裝置)	Invention	The PRC	ZL201910545584.3	1 October 2021	22 June 2039
3.	A construction waste recycling device (一種建築施工用廢料回收裝置)	Invention	The PRC	ZL201910487975.4	1 October 2021	5 June 2039
4.	A construction waste crushing and sorting device (一種建築垃圾粉碎分類裝置)	Invention	The PRC	ZL201910545582.4	17 September 2021	22 June 2039
5.	A sand and gravel drying device for construction field (一種建築領域用砂石乾燥裝置)	Invention	The PRC	ZL201910545585.8	17 September 2021	22 June 2039
6.	An intelligent cooling drilling rig for construction sites (一種建築工地用智能冷卻鑽機)	Invention	The PRC	ZL201910545583.9	17 September 2021	22 June 2039
7.	An outdoor mobile support frame for construction engineering (一種建築工程用戶外移動支撐架)	Utility Patent	The PRC	ZL202021606139.8	16 July 2021	5 August 2030
8.	A ceramic tile caulking device for construction engineering (一種建築工程用瓷磚填縫裝置)	Utility Patent	The PRC	ZL202021593339.4	16 July 2021	4 August 2030
9.	A hand-held dust-proof punching device for construction (一種建築用手持防塵打孔裝置)	Utility Patent	The PRC	ZL202021593348.3	16 July 2021	4 August 2030
10.	A glass rack for construction engineering (一種建築工程用玻璃放置架)	Invention	The PRC	ZL201910591377.1	13 July 2021	3 July 2039
11.	A blowdown-proof portable fence for construction sites (一種建築工地用防吹倒便攜圍欄)	Invention	The PRC	ZL201910591702.4	20 April 2021	3 July 2039
12.	A portable warning device (一種便攜式警示裝置)	Utility Patent	The PRC	ZL202020081346.X	5 January 2021	14 January 2030

No.	Title	Type	Place of registration	Registration number	Date of grant	Date of expiry
13.	A bridge reinforcement structure (一種橋樑加固結構)	Utility Patent	The PRC	ZL201920888907.4	25 September 2020	13 June 2029
14.	An electric assisted bucket truck for easy loading and unloading of sand and soil (一種方便裝卸沙土電動助力斗車)	Utility Patent	The PRC	ZL201920960761.X	4 September 2020	25 June 2029
15.	A pipeline fixing device on a building construction frame (一種建築施工架上的管線固定裝置)	Utility Patent	The PRC	ZL202020280391.8	14 August 2020	9 March 2030
16.	A wall-laying knife for automatically supplying cement (一種自動供給水泥的砌牆刀)	Utility Patent	The PRC	ZL201920961197.3	17 July 2020	25 June 2029
17.	An auxiliary device for repairing inner wall of box girder for road and bridge construction (一種道路橋樑施工用箱梁內壁修復輔助裝置)	Utility Patent	The PRC	ZL201920889473.X	10 July 2020	13 June 2029
18.	A bridge pavement repairing device (一種橋樑路面修補裝置)	Utility Patent	The PRC	ZL201920888904.0	10 July 2020	13 June 2029
19.	A sand screening device for construction sites (一種建築工地用沙子篩選裝置)	Utility Patent	The PRC	ZL201920961199.2	3 July 2020	25 June 2029
20.	A construction waste disposal device (一種建築施工用垃圾處理裝置)	Utility Patent	The PRC	ZL201920888905.5	3 July 2020	13 June 2029
21.	An assisted nail removal machine (一種助力取釘機)	Utility Patent	The PRC	ZL201921018776.0	30 June 2020	3 July 2029
22.	A construction site safety helmet (一種建築工地安全帽)	Utility Patent	The PRC	ZL201920960705.6	19 June 2020	25 June 2029
23.	A mixing drum cleaning device for roads and bridges (一種道路橋樑用混料筒清洗裝置)	Utility Patent	The PRC	ZL201920889472.5	19 June 2020	13 June 2029
24.	A garbage removal device for road construction (一種道路施工用垃圾清運裝置)	Utility Patent	The PRC	ZL201920888910.6	19 June 2020	13 June 2029
25.	An urban road cleaning device (一種城市公路清灰裝置)	Utility Patent	The PRC	ZL201920589742.0	26 May 2020	28 April 2029

No.	Title	Type	Place of registration	Registration number	Date of grant	Date of expiry
26.	A bridge height limit anti-collision device (一種橋樑限高防撞裝置)	Utility Patent	The PRC	ZL201920589743.5	22 May 2020	28 April 2029
27.	A cottage scaffolding for construction site (一種建築工地用抽插式腳手架)	Utility Patent	The PRC	ZL201920589741.6	22 May 2020	28 April 2029
28.	A safety protection device for construction site (一種施工現場用的安全防護裝置)	Utility Patent	The PRC	ZL201920230551.5	8 May 2020	22 February 2029
29.	An environmental protection paint additive with antibacterial function and preparation method thereof (一種具有抗菌功能的環保塗料添加劑及其製備方法)	Invention	The PRC	ZL201810534297.8	21 April 2020	29 May 2038
30.	A road dust removal device (一種道路除塵裝置)	Utility Patent	The PRC	ZL201920488343.5	17 April 2020	11 April 2029
31.	A road construction barrier (一種道路施工路障)	Utility Patent	The PRC	ZL201920488342.0	17 April 2020	11 April 2029
32.	A lighting device for road construction (一種道路施工用照明裝置)	Utility Patent	The PRC	ZL201920888908.9	10 April 2020	13 June 2029
33.	A portable fixing frame for bridge pier detection (一種橋樑橋墩檢測用手提固定架)	Utility Patent	The PRC	ZL201920589724.2	28 February 2020	28 April 2029
34.	A sandbox shakeout device for building construction (一種建築施工用砂箱落砂裝置)	Utility Patent	The PRC	ZL201920230552.X	10 January 2020	22 February 2029
35.	A ground leveling device for building construction (一種建築施工用地面平整裝置)	Utility Patent	The PRC	ZL201920221426.8	19 November 2019	20 February 2029
36.	A transportation device for building construction (一種建築施工用運輸裝置)	Utility Patent	The PRC	ZL201920228156.3	29 October 2019	20 February 2029
37.	A dust removal device for construction engineering (一種建築工程施工除塵裝置)	Utility Patent	The PRC	ZL201920221427.2	29 October 2019	20 February 2029

No.	Title	Type	Place of registration	Registration number	Date of grant	Date of expiry
38.	A construction toolbox for environmental protection engineering (一種用於環保工程用施工工具箱)	Utility Patent	The PRC	ZL201920230586.9	18 October 2019	20 February 2029
39.	A spraying-type stucco frame for building interior wall construction (一種建築室內牆體施工用噴塗式粉刷架)	Utility Patent	The PRC	ZL201820817128.0	11 January 2019	29 May 2028
40.	A mobile bucket for construction (一種移動式用於建築施工的鏟斗)	Utility Patent	The PRC	ZL201820815185.5	11 January 2019	29 May 2028
41.	An architectural device that can adjust temperature of roof (一種可調節屋頂溫度的建築裝置)	Utility Patent	The PRC	ZL201820793624.7	11 January 2019	25 May 2028
42.	A green belt leveling and trimming device for easy collection of residual leaves (一種便於殘葉收集的綠化帶整平修剪裝置)	Utility Patent	The PRC	ZL201820793896.7	21 December 2018	25 May 2028

As at the Latest Practical Date, we have applied for the registration of the following patents which are considered to be material to our business:

No.	Title	Type	Place of application	Application number	Application date
1.	A fast-rotating soil-returning device for building foundation pits (一種建築用基坑快速旋轉回土裝置)	Invention	The PRC	ZL201911115680.0	14 November 2019
2.	A wall cement trowel (一種牆壁水泥抹光機)	Invention	The PRC	201911115012.8	14 November 2019
3.	An automatic drilling device for positioning concrete wall for construction engineering (一種建築工程用混凝土牆面定位自動鑽孔裝置)	Invention	The PRC	201911033228.X	28 October 2019
4.	An assembled steel pipe truss node connection device (一種裝配式鋼管桁架節點連接裝置)	Invention	The PRC	201911030531.4	28 October 2019
5.	A water seepage detection device for building exterior walls (一種建築外牆滲水檢測裝置)	Invention	The PRC	201911115011.3	14 November 2019

Trademarks

As at the Latest Practicable Date, members of our Group have registered the following trademarks:

No.	Trademark	Place of registration	Class	Registration No.	Date of registration	Date of expiry
1.	ZSJY	The PRC	37(1)	62115008	14 July 2022	13 July 2032
2.		The PRC	37(2)	28909077	7 January 2019	6 January 2029
3.		The PRC	42(3)	28932098	7 January 2019	6 January 2029
4.		The PRC	37(1)	64858946	7 November 2022	6 November 2032
5.		The PRC	42(3)	64866577	7 November 2022	6 November 2032
6.	中深建業 中深建業	Hong Kong	37(1) and 42(3)	305916312	24 March 2022	23 March 2032

Notes:

1. The specific goods or services (as the case may be) under the respective classes in respect of which these trademarks were registered for under the PRC or Hong Kong trademark law (as applicable) are as follows:

Class	Goods/Services
37	Construction; paving; factory construction; scaffolding; pipeline laying and maintenance; installation and maintenance of water pipes; interior and exterior painting; building waterproofing; port construction; commercial housing construction.

2. The specific goods or services (as the case may be) under the respective classes in respect of which these trademarks were registered for under the PRC trademark law are as follows:

Class	Goods/Services
37	Building waterproofing; factory construction; scaffolding; pipeline laying and maintenance; commercial housing construction; building construction supervision; interior and exterior painting; road paving; installation and maintenance of water pipes; port construction.

3. The specific goods or services (as the case may be) under the respective classes in respect of which these trademarks were registered for under the PRC or Hong Kong trademark law (as applicable) are as follows:

Class	Goods/Services
42	Technological research; technological project research; energy conservation consultation; urban planning; environmental protection research; water quality analysis; quality system certification; quality control; quality assessment; scientific research.

As at the Latest Practicable Date, our Group has applied for registration of the following trademark:

Trademark	Place of registration	Class	Application No.	Date of application
ZSJY	The PRC	42 (Note)	62101831	12 January 2022

Note:

42. The specific goods or services (as the case may be) (excluding those subject to review) are quality assessment; quality control; quality system certification.

Domain names

As at the Latest Practicable Date, members of our Group have registered the following domain names:

No.	Domain name	Registration date	Expiry date
1.	zsjy.top	19 November 2019	19 November 2024
2.	zjsy.vip	30 September 2019	30 September 2024

Software copyrights

As at the Latest Practicable Date, members of our Group have registered the following software copyrights which are material to our business:

No.	Registration No.	Software Name	Scope of Copyright	Date of Initial Publication
1.	2019SR0237490	Engineering construction progress data information integrated management system V1.0 (工程施工進度數據信息綜合化管理系統 V1.0)	All	14 January 2019
2.	2019SR0237822	Engineering construction progress design auxiliary system V1.0 (工程施工進度設計輔助系統 V1.0)	All	15 January 2019
3.	2019SR0239122	Engineering construction progress personnel information management system V1.0 (工程施工進度人員信息管理系統 V1.0)	All	15 January 2019
4.	2019SR0239141	Engineering construction progress safety visualization management system V1.0 (工程施工進度安全可視化管理系統 V1.0)	All	21 January 2019
5.	2019SR0239134	Engineering construction progress process supervision system V1.0 (工程施工進度過程監管系統 V1.0)	All	14 January 2019

No.	Registration No.	Software Name	Scope of Copyright	Date of Initial Publication
6.	2019SR0237526	Engineering construction video surveillance information management system V1.0 (工程施工視頻監控信息管理系統 V1.0)	All	14 January 2019
7.	2019SR0237512	Engineering construction site monitoring management system V1.0 (工程施工現場監控管理系統 V1.0)	All	6 January 2019
8.	2019SR0241107	Engineering construction contracting information data management system V1.0 (工程施工承包信息數據化管理系統 V1.0)	All	13 January 2019
9.	2019SR0237542	Engineering construction progress information data monitoring system V1.0 (工程施工進度信息數據化監管系統 V1.0)	All	8 January 2019
10.	2019SR0238331	Engineering construction material data information software V1.0 (工程施工材料數據信息軟件 V1.0)	All	15 January 2019
11.	2019SR0436981	Intelligent installation engineering information management system V1.0 (智能化安裝工程信息化管理系統 V1.0)	All	20 November 2018
12.	2019SR0441723	Municipal engineering project cost management system V1.0 (市政工程項目成本管理系統 V1.0)	All	20 July 2018
13.	2019SR0441403	Deep foundation pit safety monitoring system V1.0 (地基深基坑安全監測系統 V1.0)	All	20 September 2018
14.	2019SR0441413	Housing construction engineering reinforced structure simulation system V1.0 (房建工程鋼筋結構仿真系統 V1.0)	All	20 May 2018
15.	2019SR0441426	Housing construction integrated management system V1.0 (房建綜合管理系統 V1.0)	All	20 April 2018
16.	2019SR0441362	Urban lighting engineering and design management software V1.0 (城市照明工程與設計管理軟件 V1.0)	All	20 October 2018
17.	2019SR0440189	Municipal engineering project documentation management system V1.0 (市政工程項目文檔管理系統 V1.0)	All	20 August 2018
18.	2019SR0436723	Housing construction inspection software V1.0 (房建工程檢查軟件 V1.0)	All	20 March 2018
19.	2019SR0436729	Housing construction plan operation real-time management platform V1.0 (房建施工計劃運行實時管理平台 V1.0)	All	20 February 2018
20.	2019SR0436732	Municipal engineering budgeting software V1.0 (市政工程預算軟件 V1.0)	All	20 June 2018

C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

(a) ***Disclosure of interests of Directors***

Each of Mr. Sang and Mr. Xian is interested in the Reorganisation.

(b) ***Particulars of Directors' service agreements and letters of appointment***

Executive Directors

Each of our executive Directors has entered into a service agreement with our Company. The terms and conditions of each service agreement are similar in all material aspects other than the amount of salary and bonus. Each service agreement is for an initial term of three (3) years with effect from the [REDACTED], which may be terminated by either party giving at least three (3) months' notice in writing to the other party and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association. Under the service agreements, the initial annual remuneration payable to our executive Directors is as follows:

Name	Annual remuneration
	RMB
Mr. Sang	295,000
Mr. Xian	359,000

Each of our executive Directors is entitled to a discretionary bonus to be recommended by the Remuneration Committee of our Company and determined by the Board, the amount of which is to be determined with reference to the operating results of our Group and the performance of the relevant executive Director. Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and discretionary bonus payable to himself.

Independent non-executive Directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letter of appointment are similar in all material aspects. Each letter of appointment is for an initial term of three (3) years commencing from the [REDACTED], which may be terminated by either party giving at least three (3) months' notice in writing to the other party and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles of Association. The annual director's fee payable to the independent non-executive Directors under each of the letter of appointment is as follows:

Name	Annual director's fee
	HK$
Ms. Liu	120,000
Mr. Zeng	120,000
Mr. Xie	120,000

Save for the annual director's fee mentioned above, none of the independent non-executive Directors are entitled to receive any other remuneration for holding his office as an independent non-executive Director.

(c) *Directors' remuneration*

The aggregate amount of remuneration paid by our Group to our Directors, including salaries, allowances and contributions to retirement benefit scheme in respect of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 were approximately RMB993,000, RMB757,000, RMB851,000 and RMB397,000 respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ended 31 December 2023 will be approximately RMB795,000.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

(d) *Interests or short positions of our Directors or chief executive in the shares, underlying shares or debentures of our Company and our associated corporations following the [REDACTED] and the Capitalisation Issue*

Immediately following completion of the [REDACTED] and the Capitalisation Issue, the interests or short positions of our Directors or chief executive in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules required to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Long position in Shares*

Name of Director	Capacity	Number of Shares[1]	Approximate percentage of shareholding (%)
Mr. Sang	Interest in a controlled corporation	[REDACTED] (L)[2]	[REDACTED]%
Mr. Xian	Interest in a controlled corporation	[REDACTED] (L)[3]	[REDACTED]%

Notes:

1. The letter "L" denotes long position in our Shares.

2. These represent Shares to be held by Zhongshen Hengtai, a company wholly-owned by Mr. Sang.

3. These represent Shares to be held by Zhongshen Chitai, a company wholly-owned by Mr. Xian.

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of shareholding (%)
Mr. Sang	Zhongshen Hengtai	Beneficial owner	100 *(Note)*	100%

Note: Mr. Sang beneficially owns the entire issued share capital of Zhongshen Hengtai. Mr. Sang is also the sole director of Zhongshen Hengtai.

2. Substantial Shareholders

So far as is known to our Directors, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the [REDACTED] and the Capitalisation Issue, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Substantial Shareholders	Capacity	Number of Shares[(1)]	Approximate percentage of shareholding (%)
Zhongshen Hengtai	Beneficial owner	[REDACTED] (L)	[REDACTED]%
Zhongshen Chitai	Beneficial owner	[REDACTED] (L)	[REDACTED]%
Ms. Jin Wei	Interest of spouse	[REDACTED] (L)[(2)]	[REDACTED]%
Xinyao Investment	Beneficial owner	[REDACTED] (L)	[REDACTED]%
Ms. Hou	Interest in a controlled corporation	[REDACTED] (L)[(3)]	[REDACTED]%
Mr. Wang Jing	Interest of spouse	[REDACTED] (L)[(4)]	[REDACTED]%

Notes:

1. The letter "L" denotes long position in our Shares.

2. Ms. Jin Wei is the spouse of Mr. Xian. By virtue of the SFO, Ms. Jin Wei is deemed to be interested in all the Shares in which Mr. Xian is interested.

3. These Shares will be held by Xinyao Investment, a company wholly-owned by Ms. Hou.

4. Mr. Wang Jing is the spouse of Ms. Hou. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in all the Shares in which Ms. Hou is interested.

3. Agency fees or commission received

Save as disclosed in the section headed "[REDACTED]" in this document and this appendix, none of our Directors or the experts named in the paragraph headed "D. Other Information — 6. Qualifications of experts" in this appendix had received any agency fee or commission from our Group within the two years preceding the date of this document.

4. Related party transactions

Details of the related party transactions are set out under note 27 to the Accountant's Report set out in Appendix I to this document.

5. Disclaimers

Save as disclosed in this document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "D. Other Information — 6. Qualifications of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors or the experts named in the paragraph headed "D. Other Information — 6. Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) taking no account of Shares which may be taken up under the [REDACTED], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED] and the Capitalisation Issue, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

(f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

Mr. Sang and Zhongshen Hengtai (collectively, the "Indemnifiers") have, under a deed of indemnity referred to in paragraph (h) of the section headed "B. Further information about the business of our Company — 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and/or Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the [REDACTED] becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which [REDACTED] becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the [REDACTED] becomes unconditional; (c) any depletion in or reduction in value of assets, increase in liabilities, losses (including without limitation, confiscation of income and/or assets, suspension of operation), penalties, claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, administrative or other charges, fees, expenses and fines of whatever nature which may be imposed on or suffered or incurred by any member of our Group as a result of directly or indirectly or in connection with (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands, investigations, enquiries, enforcement proceeding or process and/or legal proceedings whether criminal, administrative, contractual, tortuous or otherwise, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the [REDACTED] becomes unconditional; and (ii) any non-compliance with the applicable laws, rules or regulations by any member of our Group (including but not limited to the non-compliances disclosed in the section headed "Business — Legal and compliance matters — Non-compliance" in this document) on or before the date on which the [REDACTED] becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited consolidated financial statements of any member of our Group for the Track Record Period; or

(b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [REDACTED] becomes unconditional; or

(c) the taxation liability arises in the ordinary course of business of our Group after 30 June 2023 up to and including the date of which the [REDACTED] becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the [REDACTED] for the [REDACTED] of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay HK$6 million to the Sole Sponsor to act as the sponsor to our Company for purposes of the [REDACTED].

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$30,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
Kingsway Capital Limited	Licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered PIE Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
King & Wood Mallesons	PRC legal advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-laws
Frost & Sullivan	Independent industry consultant

7. Consents of experts

Each of Kingsway Capital Limited, PricewaterhouseCoopers, King & Wood Mallesons, Conyers Dill & Pearman and Frost & Sullivan has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that, save for the estimated non-recurring [REDACTED], there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 June 2023 (being the date to which the latest audited consolidated financial statements of our Group were made up).

11. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

   (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;

   (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

   (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and

   (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(c) Save as disclosed in the section headed "[REDACTED]" in this document, none of the parties listed in the paragraph headed "D. Other Information — 6. Qualifications of experts" in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

(d) The branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into [REDACTED] for clearing and settlement.

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) We have no outstanding convertible debt securities.

(h) The English text of this document shall prevail over the Chinese text.

12. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, a copy of the [REDACTED], the written consents referred to in the section headed "Statutory and general information — D. Other information — 7. Consents of experts" in Appendix IV to this document and copies of the material contracts referred to in the section headed "Statutory and general information — B. Further information about the business of our Company — 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.zsjy.top**) up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, in respect of the historical financial information of our Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023;

(d) the report on unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;

(e) the Cayman Companies Act;

(f) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;

(g) the legal opinions in respect of business operations of our Group in the PRC and leased properties of our Group in the PRC prepared by our PRC Legal Advisers;

(h) the material contracts referred to in the paragraph headed "Statutory and general information — B. Further information about the business of our Company — 1. Summary of material contracts" in Appendix IV to this document;

(i) the written consents referred to in the paragraph headed "Statutory and general information — D. Other information — 7. Consents of experts" in Appendix IV to this document;

(j) the service contracts referred to in the paragraph headed "Statutory and general information — C. Further information about Directors, substantial Shareholders and experts — 1. Directors — (b) Particulars of Directors' service agreements and letters of appointment" in Appendix IV to this document; and

(k) the industry report prepared by Frost & Sullivan.