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Post Hearing Information Pack of

天津建设发展集团股份公司
Tianjin Construction Development Group Co., Ltd.*

(the "**Company**")

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

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天津建设发展集团股份公司
Tianjin Construction Development Group Co., Ltd.

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]

光大證券 | 國際
EVERBRIGHT SECURITIES | INTERNATIONAL

[REDACTED] and [REDACTED]

[REDACTED]

The [REDACTED] is expected to be determined by agreement between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) on or before [REDACTED] on [REDACTED]. The [REDACTED] will be not more than HK$[REDACTED] per [REDACTED] and is currently expected to be not less than HK$[REDACTED] per [REDACTED], unless otherwise announced. [REDACTED] applying for the [REDACTED] may be required to pay, on [REDACTED] (subject to the [REDACTED] channels), the maximum [REDACTED] of HK$[REDACTED] per [REDACTED], together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] is less than HK$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed between us and the [REDACTED] (for itself and on behalf of the [REDACTED]) on or before [REDACTED] on [REDACTED] (Hong Kong time), the [REDACTED] (including the [REDACTED]) will not proceed and will lapse.

The [REDACTED] (for itself and on behalf of the [REDACTED]), with our consent, may reduce the indicative [REDACTED] range stated in this document and/or reduce the number of [REDACTED] being [REDACTED] pursuant to the [REDACTED] at any time on or prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. In such a case, a notice of reduction of the indicative [REDACTED] range and/or the number of [REDACTED] will be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.tjcdg.com**. Further details are set out in the sections headed "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

Prior to making an [REDACTED] decision, [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Such grounds are set out in the section headed "[REDACTED] — [REDACTED] — [REDACTED] — [REDACTED] — Grounds for Termination" in this document. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [REDACTED], sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE(1)

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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This summary aims at giving you an overview of the information contained in this document. Because this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety, including our financial statements and the accompanying notes, before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the "Risk factors" in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED]. Various expressions used in this summary are defined in "Definitions" and "Glossary of Technical Terms" in this document.

BUSINESS OVERVIEW

We are a construction group based in Tianjin which offers comprehensive construction services. According to the Frost & Sullivan Report, there were 2,547 construction enterprises in Tianjin in 2022, which our Group accounted for a market share of 0.1% in the overall construction market in terms of construction revenue in Tianjin in 2022. We ranked fourth among the private companies engaged in municipal public construction in Tianjin in terms of revenue generated from municipal public construction works in 2022, representing a market share of approximately 0.2%. During the Track Record Period, we primarily engaged in construction business and strove to provide high quality construction services to our customers.

According to the Frost & Sullivan Report, among the 2,547 and 3,351 construction enterprises in Tianjin in 2022 and 2023, respectively, there were only three and four construction companies which possessed qualifications in both petrochemical engineering works and highway construction works at the same time, respectively, out of which we were the only construction company which is a private company. In addition to qualifications in petrochemical engineering works and highway construction works, we also possessed qualifications in municipal public construction works and building construction works, enabling us to participate in a wider range of projects compared to construction companies possessing fewer qualifications. As of the Latest Practicable Date, we possessed 25 qualifications related to our construction business, which included two first-grade construction qualifications: (i) first-grade qualification in petrochemical engineering construction general contracting* (石油化工工程施工總承包壹級資質); and (ii) first-grade qualification in foundation construction professional contracting* (地基基礎工程專業承包一級資質). For details, please refer to the section headed "Business — Licenses, Qualifications and Permits" in this document.

During the Track Record Period, we primarily focused on construction business, comprising (i) municipal public construction works, which mainly included road construction and traffic facilities construction; (ii) foundation works, which mainly included foundation construction and earthworks; (iii) building construction related works; and (iv) petrochemical engineering works[Note] (we mainly undertook filling station

Note: According to the Qualification Standards of Construction Enterprises (《建築業企業資質標準》) for construction industry enterprises, petrochemical engineering refers to main projects such as oil and gas field surface, oil and gas storage and transportation (pipelines, storage warehouses, etc.), petrochemical, chemical, coal chemical, and relevant production auxiliary projects.

upgrading and renovation, pipe installation and oil tank overhaul projects during the Track Record Period). The following table sets forth a breakdown of revenue by types of construction services for the periods indicated:

	Year ended December 31,								
	2021			2022			2023		
	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*
Municipal public construction works	144,712	52.6	29.1	86,469	30.0	24.6	186,201	58.3	27.6
— Traffic facilities construction	50,048	18.2	41.6	3,683	1.3	26.6	43,980	13.8	30.6
— Road construction	94,664	34.4	22.5	82,786	28.7	24.5	142,221	44.5	26.7
Foundation works	89,153	32.4	27.7	20,476	7.1	27.2	83,265	26.1	22.0
— Foundation construction	84,373	30.7	27.2	20,287	7.0	27.1	38,027	11.9	21.0
— Earthwork	4,780	1.7	37.2	189	0.1	27.4	45,238	14.2	22.9
Building construction related works	19,236	7.0	12.8	171,286	59.5	25.2	41,155	12.9	18.6
Petrochemical engineering works	21,703	8.0	10.6	8,918	3.1	19.9	8,195	2.5	26.9
Other[(1)]	140	*	100.0	811	0.3	100.0	621	0.2	100.0
Total	274,944	100.0	26.1	287,960	100.0	25.2	319,437	100.0	25.1

* *less than 0.1*

Note:

(1) Our other revenue included service income generated from the provision of software services such as Jiexiao System. During the Track Record Period, we provided software services in relation to Jiexiao System to external parties such as our suppliers and other market users while charging them with platform subscription fee and other services fee. For details of the Jiexiao System, please refer to the section headed "Business — Intellectual Property — Our Jiexiao System" in this document.

During the Track Record Period, we mainly operated in Tianjin, where our reputation was built in the construction industry with an operating history of more than a decade, and by leveraging our brand and industry experience, we aim to capture more market share in the construction industry in Tianjin. The following table sets forth the breakdown of our revenue generated from our provision of construction services by geographic location for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Revenue	% of revenue generated from construction projects[(1)]	Revenue	% of revenue generated from construction projects[(1)]	Revenue	% of revenue generated from construction projects[(1)]
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Tianjin	255,236	92.9	279,685	97.4	276,156	86.6
Shaanxi	1,586	0.6	195	0.1	19,662	6.2
Guizhou	—	—	1,007	0.3	6,112	1.9
Jiangxi	5,143	1.9	6,262	2.2	2,823	0.9
Shandong	5,916	2.1	—	—	—	—
Liaoning	5,000	1.8	—	—	—	—
Anhui	1,923	0.7	—	—	—	—
Hebei	—	—	—	—	14,063	4.4
Total	**274,804**	**100.0**	**287,149**	**100.0**	**318,816**	**100.0**

Note:

(1) Our total revenue generated from construction projects included revenue generated from municipal public construction works, foundation works, building construction related works and petrochemical engineering works during the Track Record Period.

Due to the nature of our industry, our business is project-based which is not recurring in nature. During the Track Record Period, we obtained a large majority of our projects through tendering, accounting for more than 95% of our total revenue generated from construction projects. For the remaining projects, we obtained them through negotiation with our customers (which involves price inquiry and price comparison by our customers). For each of the three years ended December 31, 2021, 2022 and 2023, we submitted 243, 124 and 110 tenders, respectively, with tender success rates of approximately 25.1%, 25.0% and 22.7%, respectively. During the Track Record Period, we completed 118 construction projects with a total contract amount of RMB722.5 million.

Since late 2020, in order to capture the business opportunities arising from the substantial investment in infrastructure projects of larger size by the local government in Tianjin, we adjusted our business focus from small-to-mid size construction projects to large scale construction projects (i.e. projects with original contract value (not including VAT) of more than RMB10.0 million) to expand our business and enhance our market position in the construction industry in Tianjin. During the Track Record Period, we recognized revenue of RMB203.2 million, RMB241.6 million and RMB265.3 million, from 11, 19 and 21 large scale projects, respectively, accounting for 73.9%, 83.9% and 83.1% of our total revenue of the same year, respectively. As of January 31, 2024, we had 12 ongoing large scale projects with a backlog value of RMB143.0 million, accounting for 89.5% of the total backlog value.

Since 2021, our Group has enhanced its resources allocation for marketing activities and increased its tendering activities. Our Group has also identified suppliers with strong capabilities that matched with our projects requirements and hired more project managers to cope with our business scale. The above measures enabled our Group to cope with our business expansion since 2021. In 2021, we undertook several large scale municipal public construction projects such as the Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目), Hangu East Expansion Project (漢沽東擴區項目) and Tianjin Nangang LNG Emergency Reserve Project (天津南港LNG應急儲備項目), which generated RMB49.2 million, RMB18.7 million and RMB16.1 million, representing 17.9%, 6.8% and 5.9% of our total revenue for the year ended December 31, 2021, respectively. Meanwhile, we also undertook some large scale foundation construction projects in 2021 such as Tianjin Nangang Foundation Pre-treatment Project (天津南港地基預處理項目), which generated a revenue of RMB47.8 million, representing 17.4% of our total revenue for the year ended December 31, 2021. In 2022, we undertook 10 out of 11 of the Tianjiang Apartment Projects (天江公寓項目). Those 10 projects had an aggregate contract amount (excluding variation orders) of approximately RMB135.2 million. For details of the Tianjiang Apartment Projects, please refer to the section headed "Financial Information — Description of selected items in the consolidated statements of profit or loss and other comprehensive income — Revenue breakdown by types of construction services" in this document.

In 2023, we undertook several large scale projects, including Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段), Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段), Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程) and Professional Subcontracting of Pile Foundation Works for Tianjin Shuren Secondary and Higher Specialized School Project (天津市樹人中等、高等專科學校樁基礎工程專業分包). The aggregate contract amount of these four projects amounted to approximately RMB179.4 million, which generated a total revenue of RMB166.7 million, representing 52.2% of our total revenue for the year ended December 31, 2023.

Despite we adjusted our business focus since late 2020 from small-to-mid size construction projects to large scale construction projects, particularly municipal public construction projects, there was no material change in our profitability during the Track Record Period, and our gross profit margin maintained relatively stable at 26.1%, 25.2% and 25.1% respectively during the Track Record Period. On the other hand, the gross profit margin of our municipal public construction projects also remained relatively stable at 29.1%, 24.6% and 27.6% respectively during the Track Record Period. In terms of our liquidity, our undertaking of more large scale construction projects could lead to a larger fluctuation in the balance of our cash and cash equivalents since our progress of construction work varied among the projects at different point of time. We may experience significant amount of cash outflow at a specific point of time when the large scale projects are at the initial stage which make us incur significant amount of upfront cost, which may lead to a decrease in the amount of cash and cash equivalents at the relevant point of time. For details of our measures for managing our liquidity position, please refer to the section headed "Financial Information — Liquidity and capital resources" in this document. On the other hand, given a majority of our customers of the large scale projects we undertook during the Track Record Period were government authorities or state-owned enterprises, which usually have more internal procedures for certification and settlement, our undertaking of more large scale projects could lead to the slower conversion of contract assets to trade receivables and longer settlement time for the trade receivables. We have adopted internal control policies on monitoring the certification and settlement procedures of our contract assets and the settlement of our trade and bills receivables. For details of our internal control policies, please refer to the section headed "Financial Information — Description of selected items of the consolidated statements of financial position — Trade receivables and contract assets control policy" in this document.

The following table sets forth a breakdown of our revenue and gross profit of construction services by nature of our projects for the periods indicated:

	Year ended December 31,														
	2021					2022					2023				
	Revenue	% of revenue generated from construction projects(1)	Gross profit	Gross profit margin	% of gross profit generated from construction projects(1)	Revenue	% of revenue generated from construction projects(1)	Gross profit	Gross profit margin	% of gross profit generated from construction projects(1)	Revenue	% of revenue generated from construction projects(1)	Gross profit	Gross profit margin	% of gross profit generated from construction projects(1)
	RMB'000	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*%*
Public	208,472	75.9	57,348	27.5	80.1	230,528	80.3	60,416	26.2	84.2	187,463	58.8	45,931	24.5	57.6
Private	66,332	24.1	14,218	21.4	19.9	56,620	19.7	11,368	20.1	15.8	131,353	41.2	33,754	25.7	42.4
Total	**274,804**	**100.0**	**71,566**	**26.0**	**100.0**	**287,148**	**100.0**	**71,784**	**25.0**	**100.0**	**318,816**	**100.0**	**79,685**	**25.0**	**100.0**

Note:

(1) Our total revenue generated from construction projects included revenue generated from municipal public construction works, foundation works, building construction related works and petrochemical engineering works during the Track Record Period.

During the Track Record Period, we undertook projects as a main contractor or a subcontractor in our construction services projects. The following table sets forth the revenue and gross profit breakdown by our role of our projects during the Track Record Period:

	Year ended December 31,														
	2021					2022					2023				
	Revenue	% of revenue generated from construction projects(1)	Gross Profit	Gross profit margin	% of gross profit generated from construction projects(1)	Revenue	% of revenue generated from construction projects(1)	Gross Profit	Gross profit margin	% of gross profit generated from construction projects(1)	Revenue	% of revenue generated from construction projects(1)	Gross Profit	Gross profit margin	% of gross profit generated from construction projects(1)
	RMB'000	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*%*
Main Contractor	160,267	58.3	42,550	26.5	59.5	93,121	32.4	19,518	21.0	27.2	183,397	57.5	50,341	27.4	63.2
Subcontractor	114,537	41.7	29,016	25.3	40.5	194,027	67.6	52,266	26.9	72.8	135,419	42.5	29,344	21.6	36.8
Total	**274,804**	**100.0**	**71,566**	**26.0**	**100.0**	**287,148**	**100.0**	**71,784**	**25.0**	**100.0**	**318,816**	**100.0**	**79,685**	**25.0**	**100.0**

Note:

(1) Our total revenue generated from construction projects included revenue generated from municipal public construction works, foundation works, building construction related work and petrochemical engineering works during the Track Record Period.

We have used our self-developed Jiexiao System, a construction project management software which has functions covering various phases of construction project management, spanning from processing internal approval of contracts upon commencement of projects to settlement upon completion of projects. Jiexiao System facilitates effective management of our projects with functions including cost control, resources tracking, personnel management and progress monitoring. For details of the Jiexiao System, please refer to the section headed "Business — Intellectual Property — Our Jiexiao System" in this document.

With years of experience in the construction industry, we believe that we have continuously delivered professional construction services to our customers by gaining in-depth understanding of the standards and requirements of various customers for different projects. Given the market prospects and future demand for the construction industry in the PRC, as a participant in the construction market, we believe that we will be able to benefit from the sustainable development of the industry.

OUR BUSINESS MODEL

During the Track Record Period, we primarily focused on construction business, comprising (i) municipal public construction works, which mainly include road construction and traffic facilities construction; (ii) foundation works, which mainly include foundation construction and earthworks; (iii) building construction related works; and (iv) petrochemical engineering works. For the years ended December 31, 2021, 2022 and 2023, we were awarded 23, seven and 11 municipal public construction projects, respectively; two, four and three foundation works projects, respectively; 25, 13 and three building construction related projects, respectively; and 11, seven and seven petrochemical engineering projects, respectively. As of December 31, 2023, we had 13 ongoing municipal public construction projects, four ongoing foundation works projects, 8 ongoing building construction related projects and two ongoing petrochemical engineering projects. For details of our business model, please refer to the section headed "Business — Our Business Model" in this document.

Pricing policy

We base our quotation price at the tender or negotiation stage on a number of factors. We usually adopt the cost plus premium approach to determine our fee quotation, taking into account factors such as: (i) estimated costs of raw materials, equipment and labor; (ii) scope and complexity of works; (iii) delivery schedule; (iv) expected profitability; (v) the prices that may be offered by other bidders; and (vi) information or indices published in the market or by the government. We would also consider the general project profitability and strategic cooperation with the customer within the price cap mentioned in the tender from time to time.

In general, since our project period spans from one month to one year, under certain circumstances there may be unanticipated price fluctuations or price changes during the project period, as a result of which the actual cost of the project undertaken may be higher than our estimated costs. For construction contracts that allow us to make adjustments and revise our estimated project costs in response to changing circumstances, such cost increases may be passed on to the customer; otherwise any cost increases may have to be borne by us. During the Track Record Period, we did not pass on any cost increase to our customers because (i) there were no material differences between the estimated costs and the actual costs of our projects since we did not experience material cost fluctuations and we have established effective internal control measures to ensure that the total cost of each construction project is estimated accurately; and (ii) we would like to maintain good relationship with our customers and to maintain our competitiveness. In addition, we will also base our procurement on the actual needs of the project schedule, estimate the amount of labor and raw materials required during the project preparation phase, consider possible future changes in the price of raw materials, and closely monitor the use of raw materials during the project to minimize waste.

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

The municipal public construction industry is highly fragmented in Tianjin. In 2022, the top five municipal private construction companies accounted for an aggregate market share of approximately 3.0% in terms of municipal public construction revenue among all municipal public construction companies in Tianjin.

In 2022, we ranked fourth among private municipal public construction companies in terms of municipal public construction revenue in Tianjin. As of the Latest Practicable Date, we were the only construction company in Tianjin that applied self-developed project management software for construction projects.

We have the following competitive strengths from which our success is derived: (i) we are capable of providing comprehensive construction services with proven track record and are able to seize the market opportunities to achieve sizeable growth; (ii) we have implemented stringent project cost control throughout the project life-cycle, through application of our self-developed Jiexiao System; (iii) we possess multiple kinds of construction qualifications and licenses allowing us to be a comprehensive construction service provider; (iv) we have developed a set of criteria for project selection which enables us to identify projects with satisfactory profitability; (v) we have quality and safety management system in place that correspond to customer requirements; (vi) our strong R&D capabilities in the construction field enable us to have a competitive edge in technological innovation; and (vii) we have an experienced management team and professional personnel. For details, please refer to the section headed "Business — Competitive Strengths" in this document.

BUSINESS STRATEGIES

Our goal is to increase our market share in the construction market in Tianjin, and other regions in the PRC, while expanding our project types at the same time to further strengthen our position in the industry. In order to achieve this goal, we intend to implement the following strategies: (i) further consolidate our industry advantages and undertake more large scale projects; (ii) focus our business development effort into construction segments supported by government policies; (iii) expand our business in other regions of the PRC; and (iv) further enhance our R&D capabilities. For more details, please refer to the section headed "Business — Business Strategies" in this document.

CUSTOMERS AND SUPPLIERS

Customers

Our customers mainly include government authorities, state-owned enterprises and private enterprises which are primarily located in Tianjin. We have a diversified customer base, covering industries such as infrastructure, real estate, petrochemicals engineering, and logistics and warehousing. For the years ended December 31, 2021, 2022 and 2023, we had 48, 29 and 23 customers, respectively, of which 39, 21 and 16 were government authorities and state-owned enterprises, with the remaining customers being private enterprises. For the years ended December 31, 2021, 2022 and 2023, the total revenue attributable to our top five customers amounted to RMB174.5 million, RMB222.1 million and RMB260.7 million, representing 63.5%, 77.0% and 81.6% of our total revenue, respectively, while total revenue attributable to our largest customer for the same year was RMB55.8 million, RMB94.5 million and RMB122.8 million, accounting for 20.3%, 32.8% and 38.4% of our total revenue, respectively. For more details, please refer to the section headed "Business — Customers, Sales and Marketing — Customers" in this document.

Suppliers

Our suppliers are primarily engaged in the provision of construction materials, lease of equipment and machinery, labor subcontracting and subcontracting of professional construction services in the PRC. For the years ended December 31, 2021, 2022 and 2023, we made purchases from 318, 273 and 224 suppliers, respectively. For the years ended December 31, 2021, 2022 and 2023, the total cost of sales involving our top five suppliers amounted to RMB48.3 million, RMB47.3 million and RMB64.8 million, representing 23.8%, 22.0% and 27.0% of our total cost of sales, respectively. During the same periods, the total purchases involving our largest supplier amounted to RMB11.3 million, RMB14.5 million and RMB14.9 million, representing 5.6%, 6.7% and 6.2% of our total cost of sales, respectively. For more, please refer to the section headed "Business — Suppliers" in this document.

During the Track Record Period, we engaged subcontractors to provide (i) labor services; and (ii) ancillary construction services on a project-by-project basis. For the years ended December 31, 2021, 2022 and 2023, the total subcontracting fees we paid to our appointed subcontractors were RMB85.3 million, RMB101.1 million and RMB118.0 million, respectively, representing 42.0%, 46.9% and 49.4% of our total cost of sales, respectively.

Customers who were also our suppliers

During the Track Record Period, (i) Xintai Zhihui, one of our top five customers for the year ended December 31, 2022, was also our supplier; and (ii) Tianjin Chengyu, one of our top five suppliers for the year ended December 31, 2021 was also our customer. To the best of our Directors' knowledge and belief, both Xintai Zhihui and Tianjin Chengyu and their ultimate beneficial owners are Independent Third Parties. For details, please refer to the section headed "Business — Suppliers — Customers who are also our suppliers" in this document.

OUR CONTROLLING SHAREHOLDERS AND [REDACTED]

As of the Latest Practicable Date, Mr. Wang and his spouse, Ms. Dou, together with entities controlled by Mr. Wang and entities jointly controlled or beneficially owned by Mr. Wang and Ms. Dou, namely Shengyuan Group, Shengyuan Holding, Shanshengyuan Enterprise Management, Tianjin Huizhi, Tianjin Jushi, Tianjin Zhiweilai and Tianjin Gongmeihao, held in aggregate 157,496,923 Shares, representing 97.3% of our total issued share capital. Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Wang, Ms. Dou, Shengyuan Group, Shengyuan Holding, Shanshengyuan Enterprise Management, Tianjin Huizhi, Tianjin Jushi, Tianjin Zhiweilai and Tianjin Gongmeihao in aggregate will be interested in [REDACTED] [REDACTED], representing [REDACTED] of the total issued share capital of the Company and will be members of the group of Controlling Shareholders upon [REDACTED]. Mr. Zhao Kuanghua and Ms. Zhao Xiaorong, as general partners of Tianjin Jushi and Tianjin Huizhi, respectively, are also deemed as members of the group of Controlling Shareholders. For details, please refer to the section headed "Relationship with our Controlling Shareholders" in this document.

On July 19, 2023, the [REDACTED], Zhuhai Zhongqing, entered into an investment agreement with our Company and the then equity holders of our Company, pursuant to which our Company increased its registered capital from RMB150,000,000 to RMB154,347,826 and Zhuhai Zhongqing subscribed for the additional registered capital of RMB4,347,826 of the Company, representing approximately 2.8% of the equity interest in our Company at a consideration of RMB10,000,000 at the relevant time. For details of the [REDACTED], please refer to the section headed "History, Reorganization and Corporate Structure — [REDACTED]" in this document.

SELECTED FINANCIAL INFORMATION

Summary of consolidated statements of profit or loss and other comprehensive income

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue	274,944	287,960	319,437
Gross profit	71,706	72,595	80,306
Profit from operations	47,622	39,177	47,314
Finance costs	—	—	(366)
Profit before taxation	47,622	39,177	46,948
Profit and total comprehensive income for the year attributable to equity owners/ shareholders of the Company	41,414	35,090	41,045
Earnings per share			
Basic and diluted *(RMB yuan)*	0.28	0.23	0.27

Revenue

During the Track Record Period, we generated our revenue mainly from construction business. Our total revenue amounted to RMB274.9 million, RMB288.0 million and RMB319.4 million, respectively, for the years ended December 31, 2021, 2022 and 2023.

Our total revenue increased by RMB13.1 million or 4.8% from RMB274.9 million for the year ended December 31, 2021 to RMB288.0 million for the year ended December 31, 2022 and further increased by RMB31.4 million or 10.9% to RMB319.4 million for the year ended December 31, 2023, mainly attributable to the overall expansion of our business and our undertaking of more large scale construction projects during the Track Record Period.

Gross profit and gross profit margin

Our gross profit remained relatively stable at RMB71.7 million for the year ended December 31, 2021 and RMB72.6 million for the year ended December 31, 2022. Our gross profit margin remained relatively stable at 26.1% in 2021 and 25.2% in 2022.

Our gross profit increased from RMB72.6 million for the year ended December 31, 2022 to RMB80.3 million for the year ended December 31, 2023 mainly due to the increase in our revenue during the same period.

Our gross profit margin remained relatively stable at 25.1% in 2023 and 25.2% in 2022.

Net profit

Our net profit decreased from RMB41.4 million for the year ended December 31, 2021 to RMB35.1 million for the year ended December 31, 2022. The decrease in our net profit from 2021 to 2022 was mainly due to the increase in impairment losses on trade receivables, lease receivables, other receivables and contract assets in 2022 and was partially offset by the decrease in income tax expenses for the same year with revenue at similar levels in both years.

Our net profit increased from RMB35.1 million for the year ended December 31, 2022 to RMB41.0 million for the year ended December 31, 2023 mainly due to the increase in our revenue due to the substantial completion of the new construction projects we undertook in 2023 (i.e. Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段) and Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段)), and the Tianjiang Apartment Projects (天江公寓項目), which commenced construction in the second half of 2022 and the reversal of impairment losses on trade receivables, lease receivables, other receivables and contract assets during the same period attributable to the transfer of the Bishui Properties in May 2023. For details, please refer to the section headed "Business — Property" in this document.

Selected items of consolidated statements of financial position

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	53,115	57,137	65,094
Current assets	252,565	374,982	491,328
Non-current liabilities	—	—	142
Current liabilities	183,871	275,220	331,093
Net current assets	68,694	99,762	160,235
Net assets	121,809	156,899	225,187

Net current assets

Our net current assets increased by RMB31.1 million, from RMB68.7 million as of December 31, 2021 to RMB99.8 million as of December 31, 2022. This was primarily due to the increase in our contract assets of RMB88.1 million and the increase in trade and bills receivables of RMB33.3 million in 2022, partially offset by the increase in trade and bills payables of RMB90.7 million. Our net current assets increased by RMB60.3 million from RMB99.8 million as of December 31, 2022 to RMB160.2 million as of December 31, 2023 mainly due to the increase in trade and bills receivables of RMB108.5 million and increase in prepayments, deposits and other receivables of RMB12.9 million, partially offset by the increase in bank loans of RMB20.0 million and the increase in trade payables of RMB44.3 million. As of February 29, 2024, our unaudited net current assets slightly decrease to RMB159.1 million.

Net assets

Our net assets increased by RMB35.1 million, from RMB121.8 million as of December 31, 2021 to RMB156.9 million as of December 31, 2022 primarily due to our Group's profit and total comprehensive income of RMB35.1 million for the year ended December 31, 2022. In June 2023, our company was converted into a joint stock limited liability company, resulting in an increase of RMB72.0 million in paid-in capital/share capital and a corresponding decrease in reserves with the same amount with no overall impact on our net assets. Our net assets increased by RMB68.3 million, from RMB156.9 million as of December 31, 2022 to RMB225.2 million as of December 31, 2023, mainly due to the contribution of our Group's profit and total comprehensive income during the year of RMB41.0 million.

For details, please refer to the section headed "Financial Information — Description of Selected Items of Consolidated Statements of Financial Position" in this document and the Consolidated Statements of Changes in Equity of the Accountants' Report as set out in Appendix I to this document.

Selected items of consolidated statements of cash flows

The following table sets out a summary of our consolidated statements of cash flows during the Track Record Period:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	11,167	11,150	(33,600)
Net cash (used in)/generated from investing activities	(12,672)	748	9,300
Net cash generated from/(used in) financing activities	615	(3,010)	10,522
Net (decrease)/increase in cash and cash equivalents	(890)	8,888	(13,778)
Cash and cash equivalents at the end of the year	11,312	20,200	6,422

We recorded a net cash used in operating activities of RMB33.6 million for the year ended December 31, 2023 mainly due to our completion of certain large scale projects in the second half of 2023 and the certification process of such projects were substantially completed in late 2023, resulting in a significant increase in trade and bills receivables of RMB118.2 million as of December 31, 2023. Such trade and bills receivables were pending settlement of payment by the relevant customers as of December 31, 2023.

We have historically met our working capital requirements through cash flows from operations. Our primary liquidity requirements are to meet working capital sufficiency, fund the payment of other payables and loans due on our indebtedness, and growth of our operations. We expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the [REDACTED] from the [REDACTED] to finance a portion of our working capital requirements. As of February 29, 2024, we had cash and cash equivalents of approximately RMB2.1 million. Substantially all of our Group's cash and bank balances are held in RMB.

For details, please refer to the section headed "Financial Information — Liquidity and Capital Resources" in this document.

KEY FINANCIAL RATIOS

The table below sets forth a summary of our key financial ratios as of the dates or for the periods indicated:

	As of December 31,		
	2021	**2022**	**2023**
Current ratio	1.4 times	1.4 times	1.5 times
Quick ratio	1.4 times	1.4 times	1.5 times
Gearing ratio	N/A *(Note 1)*	N/A *(Note 1)*	8.9%

	Year ended December 31,		
	2021	**2022**	**2023**
Return on equity	34.0%	22.4%	18.2%
Return on assets	13.5%	8.1%	7.4%
Interest coverage ratio	N/A *(Note 1)*	N/A *(Note 1)*	129.3 times
Gross profit margin	26.1%	25.2%	25.1%
Net profit margin	15.1%	12.2%	12.8%

Notes:

1. As of December 31, 2021 and 2022, the Group did not have any interest-bearing bank and other borrowings. Accordingly, the gearing ratio and the interest coverage ratio are not available.

RULE 13.46(2) OF THE LISTING RULES

Rule 13.46(2) of the Listing Rules requires a PRC issuer to send an annual report or a summary financial report within four months after the end of the financial year to which the report relates. As (i) our Company has already included in this document the financial information required under Appendix D2 of the Listing Rules in relation to annual report in respect of the year ended December 31, 2023; (ii) our Company will not be in breach of its constitutional documents or laws and regulations of the PRC or other regulatory requirements as a result of not publishing or distributing (as applicable) the said annual reports and accounts; (iii) we have complied with the applicable code provisions of the

Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules and the Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix C3 to the Listing Rules; the Company will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders in respect of the year ended December 31, 2023. In addition, the Company will issue an announcement by April 30, 2024 that it will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders for the year ended December 31, 2023 and that the relevant financial information has been included in this document. The Company will still comply with Rule 13.91(5) of the Listing Rules.

RECENT DEVELOPMENT

Recent development of our business

Subsequent to the Track Record Period and up to January 31, 2024, we have been further awarded five projects with an aggregate contract amount of approximately RMB78.5 million.

As of January 31, 2024, we had 29 ongoing projects with a backlog value of RMB159.7 million, which represented a significant increase of RMB76.5 million as compared to December 31, 2023. The backlog value of RMB159.7 million as of January 31, 2024 comprised 27 public projects with an aggregate backlog value of RMB156.4 million and two private projects with an aggregate backlog value of RMB3.3 million. For details of our backlog projects, please refer to the section headed "Business — Our Business Model — Backlog and new contract amounts" in this document. Based on the unaudited management accounts of the Company as of January 31, 2024, we recorded an increase in revenue and gross profit for the one month ended January 31, 2024 as compared to the one month ended January 31, 2023.

Our Directors expect that we will record a decrease in net profit for the year ending December 31, 2024 as compared to that of the year ended December 31, 2023, primarily because (i) the general legal and professional expenses expected to be incurred after [REDACTED] for a [REDACTED] company of RMB[REDACTED] million for the year ending December 31, 2024; and (ii) we recorded a significant reversal of impairment losses for the year ended December 31, 2023 in the amount of RMB9.0 million as a result of the transfer of the Bishui Properties to our Group in May 2023, while our Directors do not expect to record similar significant reversal of impairment losses for the year ending December 31, 2024 based on their best knowledge and understanding as of the Latest Practicable Date. For further details, please refer to "Business — Property — Self-owned properties — Building — Transfer of Bishui Properties to our Company".

Recent regulatory developments

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and relevant five guidelines, which came into force on March 31, 2023. The Trial Measures comprehensively improved and reformed the existing regulatory regime for overseas

[REDACTED] and [REDACTED] of PRC domestic companies' securities. According to the Trial Measures, PRC domestic enterprises that seek to [REDACTED] and [REDACTED] securities in overseas markets, both directly and indirectly, are required to fulfill the filing procedure and submit relevant information to the CSRC. For more details, please refer to "Regulations — Regulations Relating to Overseas Offering and Listing".

Our PRC Legal Adviser is of the view that the [REDACTED] shall be deemed as an overseas [REDACTED] and [REDACTED] under the Trial Measures. Therefore, we are required to complete the filing procedures with the CSRC with respect to the [REDACTED] within the specified time limit. Our filing procedures with the CSRC with respect to the [REDACTED] were completed on September 14, 2023. In completing such filing, the CSRC accepts no responsibility for the value of or income from the [REDACTED] in our [REDACTED], nor for the authenticity, accuracy or completeness of any content in this document or in other filing materials.

Recent development of the PRC property market

According to Frost & Sullivan, in 2021 and 2022, the implementation of tight policies on real estate financing has resulted in a liquidity crisis for developers in the real estate, and real estate developers were facing difficulties in obtaining the necessary funds for their projects. After the real estate downturn in 2021 and 2022, despite the release of several favorable government policies to promote market stability and instill confidence in the real estate market since late 2022, it will take more time for the real estate market to bounce back. In 2023, real estate development investment was RMB11.1 trillion, representing an annual decrease of 9.6%. Among which, residential investment was RMB8.4 trillion, representing an annual decrease of 9.3%. The construction area of real estate development enterprises was 8.4 billion square meters in 2023, showing a decrease of 7.2% as compared to that of 2022. Specifically, residential construction area was 0.7 billion square meters, showing a 20.9% decline as compared to that of 2022. According to Frost & Sullivan, the favorable government policies are gradually taking effect but the current real estate market in the PRC is still undergoing a transition period.

Our Directors are of the view that the impact of the recent downturn in the property market in China would unlikely materially and adversely affect our business operations and financial performance as we focused on non-residential projects during the Track Record Period, which a majority of our revenue for the years ended December 31, 2021 and 2023 were generated from municipal public construction projects, represented approximately 52.6% and 74.2% of our total revenue for the respective years. According to Frost & Sullivan, the market size of the municipal public construction industry in the PRC is expected to increase from RMB2,660.1 billion in 2022 to RMB3,776.2 billion in 2027, representing a CAGR of 7.3%, and is supported by favorable government policies. Besides, the majority of our revenue during the Track Record Period was derived from customers that were government authorities or state-owned enterprises, representing 63.8%, 61.5% and 56.8% of our total revenue generated from construction projects for the relevant year, instead of from private property developers.

No material adverse change

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2023 (being the end date of the periods reported in Appendix I to this document) and there has been no event since December 31, 2023 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

[REDACTED]

Based on the mid-point of the [REDACTED] stated in this document and assuming that the [REDACTED] is not exercised, the total estimated [REDACTED] in connection with the [REDACTED] are expected to be approximately RMB[REDACTED] or [REDACTED] of the gross [REDACTED] from the [REDACTED], among which, approximately RMB[REDACTED] is directly attributable to issuance of [REDACTED] and will be charged to equity upon completion of the [REDACTED], and approximately RMB[REDACTED] has been charged or is expected to be charged to our consolidated statements of profit and loss and other comprehensive income. Our [REDACTED] are categorized into [REDACTED] expenses, which consists of [REDACTED] fee and [REDACTED] of approximately RMB[REDACTED] and [REDACTED] expenses of approximately RMB[REDACTED]. The [REDACTED] expenses can be further classified into (i) fees and expenses for legal advisors and reporting accountants of approximately RMB[REDACTED]; and (ii) other fees and expenses of approximately RMB[REDACTED]. During the Track Record Period, we incurred [REDACTED] of RMB[REDACTED] of which RMB[REDACTED] was included in prepayments and will be charged to equity upon completion of the [REDACTED], and RMB[REDACTED] was charged to consolidated statements of profit and loss and other comprehensive income.

DIVIDENDS

During the Track Record Period and up to the Latest Practicable Date, we did not declare any dividends.

Although we do not have a formal dividend policy or a fixed dividend distribution ratio, a decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other factors, the results of our operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions and other factors that we may consider relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

FUTURE PLANS AND PROSPECTS/[REDACTED]

Please refer to the section headed "Business — Business Strategies" for a detailed description of our future plans.

We estimate that the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), will be approximately HK$[REDACTED], after deduction of [REDACTED] and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. We intend to use the [REDACTED] of the [REDACTED] for the purposes, and in the amounts, set out below:

Amount of [REDACTED]	Use of [REDACTED]
(i) approximately [REDACTED] of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	To fund our up-front costs of potential projects
(ii) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	To establish local branch offices in regions outside Tianjin and expand our business presence in more cities in the PRC
(iii) approximately [REDACTED] of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	To enhance our R&D capabilities including (a) recruiting competitive and competent professionals to lead our R&D activities; (b) purchasing hardware and equipment to upgrade and improve our Jiexiao System and (c) purchasing software for upgrading and improving the functionality of our Jiexiao System.
(iv) approximate [REDACTED] of our estimated [REDACTED], or HK$[REDACTED] (equivalent to RMB[REDACTED])	To acquire or invest in other construction companies that focus on petrochemical engineering, new energy engineering or new urban infrastructure construction, which hold the relevant licenses or qualifications to undertake such works
(v) approximately [REDACTED] of our estimated [REDACTED] or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	For working capital and general corporate purpose

LEGAL AND COMPLIANCE EVENTS

As of the Latest Practicable Date, our Company was named as a defendant in a lawsuit with a supplier. The case was still going through the trial stage and has not be concluded. If our Company is eventually found to be liable by the PRC court, the total expected additional monetary compensation may amount to approximately RMB2,506,000. For further details, please refer to "Business — Legal and Compliance — Litigation and claims", "Financial Information — Contingent Liabilities" and Note 30 in the Accountants' Report as set out in Appendix I to this document.

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for our employees. As of December 31, 2023, the outstanding amount of social insurance and hosing provident fund contributions amounted to RMB2.8 million and it is estimated that our Group may be subjected to a late payment fee of RMB0.9 million. We have made provisions in the amounts of RMB1.7 million, RMB0.4 million and nil with respect to the potential liabilities arising from shortfalls in social insurance and housing provident fund contributions during Track Record Period, respectively. As of the Latest Practicable Date, we have established various internal policies and procedures to ensure that we make full contributions in relation to social insurance and housing provident funds. For further details, please refer to the sections headed "Business — Employees — Social insurance and housing provident fund contributions" in this document.

As of the Latest Practicable Date, save as disclosed the sections headed "Business — Employees — Social insurance and housing provident fund contributions", "Business — Property — Building" and "Business — Legal and compliance events — Litigation and claims" in this document, (i) we were not aware of any existing or pending material legal proceedings, claims or disputes against us, and no significant litigation, arbitration, or claim was known to the Directors to be pending or threatened against or brought against us that would have a material adverse impact on our business, financial condition, or operating results; and (ii) as advised by our PRC Legal Adviser, we had not been subject to any fines or other penalties for violation of applicable PRC laws and regulations that could, individually or in aggregate, have a material adverse effect on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view, and our PRC Legal Adviser concurs, that we had obtained the necessary licenses and permits, followed relevant tendering and bidding procedures in relation to our construction projects, and complied with the relevant PRC laws and regulations that are essential to our business operation, in all material aspects, during the Track Record Period and up to the Latest Practicable Date.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control.

Our major risks include: (i) our business and future growth are subject to macroeconomic conditions in the PRC, particularly in Tianjin, and changes in market demand for our services and renewal or revision of government policies and regulations in relation to the construction market, which are beyond our control; (ii) our business operations, working capital and cash flow position may be adversely affected if our customers delay in processing payment or fail to settle our bills; (iii) we face intense competition in our industry, which could adversely affect our business; (iv) if we are unable to fully recover our contract assets or if retention fee is not fully released to us after expiry of the warranty period, our liquidity and financial position may be adversely affected; (v) if we are unable to perform our contracts with customers and fulfill our obligation, our financial position and results of operations may be adversely affected; (vi) if we are unable to accurately estimate or control our costs for projects, or there are substantial changes to the scope of work we are required to perform, we may incur additional expenses, which could adversely affect our profitability; (vii) we may not be able to maintain our current tender success rate; and (viii) there is no guarantee that our existing customers will continue engaging us in future business. For details, please refer to the section headed "Risk Factors" in this document.

[REDACTED] STATISTICS

Unless otherwise indicated, all statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are [REDACTED] pursuant to the [REDACTED]; and (ii) the [REDACTED] is not exercised.

	Based on an [REDACTED] per H Share of HK$[REDACTED]	**Based on an [REDACTED] per H Share of HK$[REDACTED]**
[REDACTED][1]	HK$[REDACTED]	HK$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group per Share[2]	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) The calculation of [REDACTED] is based on [REDACTED] Shares and an [REDACTED] of HK$[REDACTED] per [REDACTED] and HK$[REDACTED] per [REDACTED], respectively.

(2) The unaudited [REDACTED] adjusted consolidated net tangible asset of our Group per Share as of December 31, 2023 is calculated after making the adjustments referred to "Appendix II — Unaudited [REDACTED] Financial Information — A. Unaudited [REDACTED] Statement of Adjusted Net Tangible Assets".

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Accountants' Report"	the accountants' report set out in Appendix I to this document
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time), conditionally adopted on June 27, 2023 with effect from the [REDACTED], a summary of which is set out in Appendix VI to this document
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"CAGR"	compound annual growth rate
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
[REDACTED]	[REDACTED]
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company" or "the Company"	Tianjin Construction Development Group Co., Ltd. (天津建设发展集团股份公司), a joint stock company established in the PRC with limited liability or where the context requires (as the case may be), its predecessor, Tianjin Construction Development Group Company Ltd.* (天津建設發展集團有限公司), a limited liability company established in the PRC on November 4, 2010, previously known as Tianjin Binhai New Area Shanshengyuan Municipal Engineering Co., Ltd* (天津市濱海新區山盛源市政工程有限公司), Tianjin Shengyuan Construction Co., Ltd.* (天津山盛源建設有限公司) and Shanshengyuan Construction Co., Ltd.* (山盛源建設有限公司)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in the context of this document, collectively refers to the controlling shareholders of our Company, being Mr. Wang, Ms. Dou, Mr. Zhao Kuanghua, Ms. Zhao Xiaorong, Shengyuan Group, Shengyuan Holding, Shanshengyuan Enterprise Management, Tianjin Huizhi, Tianjin Jushi, Tianjin Gongmeihao and Tianjin Zhiweilai
"COVID-19"	Coronavirus disease 2019
"CSDC"	China Securities Depository and Clearing Corporation Limited
"CSDC (Hong Kong)"	China Securities Depository and Clearing (Hong Kong) Company Limited
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity (彌償保證契據) dated April 3, 2024 entered into by the Controlling Shareholders in favor of our Company (for our Company and as trustee for each of our subsidiaries)
"Deed of Non-Competition"	the deed of non-competition (不競爭契據) dated December 15, 2023 entered into by the Controlling Shareholders in favor of our Company (for our Company and as trustee for each of our subsidiaries)
"Director(s)"	director(s) of our Company
"EIT"	enterprise income tax

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
[REDACTED]	[REDACTED]
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company and an Independent Third Party
"Frost & Sullivan Report"	the independent industry report prepared by Frost & Sullivan and commissioned by our Company, as referred to in the section headed "Industry Overview" in this document
"GAC"	General Administration of Customs
[REDACTED]	[REDACTED]
"Group", "our Group", "the Group", "we", "us", or "our"	our Company together with its subsidiaries, and their respective predecessors
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"HKSCC"	Hong Kong Securities Clearing Company Limited

DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"IFRS Accounting Standards"	IFRS Accounting Standards as issued by the International Accounting Standards Board
"Independent Third Party(ies)"	a person or entity who is not considered as a connected person of our Company under the Listing Rules

DEFINITIONS

"Internal Control Consultant"	Moore Advisory Services Limited, an independent internal control consultant engaged by us
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Jiexiao System"	捷效系統, a comprehensive construction project management software self-developed by the Company and equipped with multiple functions, including cost monitoring, progress measuring and resources tracking
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Latest Practicable Date"	April 5, 2024, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock market (excluding the options market) operated by the Hong Kong Stock Exchange and which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"MOC"	the Ministry of Construction of the PRC (中華人民共和國建設部)
"MOHURD"	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. Wang"	Mr. Wang Wenbin (王文彬), one of our Controlling Shareholders, chairperson of the Board and our non-executive Director
"Ms. Dou"	Ms. Dou Enyan (竇恩艷), one of our Controlling Shareholders, the spouse of Mr. Wang
"NDRC"	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)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

"PBOC"	People's Bank of China (中國人民銀行)
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the 5th session for the Standing Committee of the 8th National People's Congress on December 29, 1993 and became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Adviser"	Jingtian & Gongcheng, the legal adviser to our Company as to the laws of the PRC
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization of the group of companies now comprising our Group conducted in preparation for the [REDACTED], details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this document
"Reporting Accountants"	KPMG
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局)
"SAT"	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 of the PRC (中華人民共和國全國人民代表大會常務委員會)

DEFINITIONS

"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanshengyuan Enterprise Management"	Shanshengyuan (Tianjin) Enterprise Management Partnership (Limited Partnership)* (山盛源(天津)企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on March 17, 2022, being one of our Controlling Shareholders. As of the Latest Practicable Date, the general partner was Shengyuan Holding and its partnership interest was held as to approximately 97.7%, 1.3% and 1% by Mr. Wang, Ms. Dou and Shengyuan Holding, respectively
"Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of our Shares
"Shengyuan Group"	Shengyuan Group (Tianjin) Co., Ltd.* (盛源集團(天津)有限公司), a company established under the laws of the PRC on October 12, 2021 with limited liability. As of the Latest Practicable Date, Shengyuan Group indirectly held approximately 68.5% of the shareholding in our Company in aggregate and is one of our Controlling Shareholders
"Shengyuan Holding"	Shengyuan Group Holdings (Tianjin) Co., Ltd.* (盛源集團控股(天津)有限公司), a company established under the laws of the PRC on March 1, 2022 with limited liability. As of the Latest Practicable Date, Shengyuan Holding indirectly held approximately 68.5% of the shareholding in our Company in aggregate, being one of our Controlling Shareholders and one of the promoters of our Company
[REDACTED]	[REDACTED]
"Sole Sponsor"	China Everbright Capital Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the [REDACTED]
[REDACTED]	[REDACTED]
"State Council"	the PRC State Council (中華人民共和國國務院)

"Supervisor(s)"	supervisor(s) of our Company
"Supervisory Board"	the board of Supervisors
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"Tianjin Binhai"	Tianjin Binhai New Area Construction Engineering Co. Limited* (天津濱海新區建設工程有限公司), a limited liability company established under the laws of the PRC on September 11, 2020 and is a wholly-owned subsidiary of our Company
"Tianjin Gongmeihao"	Gongmeihao (Tianjin) Enterprise Management Co. Limited* (共美好(天津)企業管理有限公司), a company established in the PRC with limited liability on May 29, 2023, which was owned by Tianjin Huizhi as to 50% and Tianjin Jushi as to 50%, respectively. As of the Latest Practicable Date, it is one of our Controlling Shareholders and one of the promoters of our Company
"Tianjin Huizhi"	Huizhi (Tianjin) Entrepreneurial Space Service Center (Limited Partnership)* (匯智(天津)創業空間服務中心(有限合夥)), a limited partnership established under the laws of the PRC by Mr. Wang and Ms. Zhao Xiaorong, an executive Director and vice president of our Company, on November 18, 2021. As of the Latest Practicable Date, the general partner was Ms. Zhao Xiaorong and its partnership interest was held as to 99% and 1% by Mr. Wang and Ms. Zhao Xiaorong, respectively, and it is one of our Controlling Shareholders
"Tianjin Jushi"	Jushi (Tianjin) Entrepreneurial Management Center (Limited Partnership)* (聚勢(天津)企業管理中心(有限合夥)), a limited partnership established under the laws of the PRC by Mr. Wang and Mr. Zhao Kuanghua, an executive Director and president of our Company, on November 18, 2021. As of the Latest Practicable Date, the general partner was Mr. Zhao Kuanghua and its partnership interest was held as to 99% and 1% by Mr. Wang and Mr. Zhao Kuanghua, respectively, and it is one of our Controlling Shareholders
"Tianjin Zhiweilai"	Zhiweilai (Tianjin) Enterprise Management Co. Limited* (致未來(天津)企業管理有限公司), a company established in the PRC with limited liability on May 24, 2023, which was held as to 99% and 1% by Shanshengyuan Enterprise Management and Shengyuan Holding, respectively. As of the Latest Practicable Date, it is one of our Controlling Shareholders and one of the promoters of our Company

DEFINITIONS

"Tianjin Zhongjianke"	Zhongjianke (Tianjin) Co. Limited* (中建科(天津)有限公司) (previously known as Tianjin Shanshengyuan Industrial Co., Ltd.* (天津山盛源實業有限公司)), a limited liability company established under the laws of the PRC on March 24, 2017 and is a wholly-owned subsidiary of our Company
"Track Record Period"	the three financial years ended December 31, 2021, 2022 and 2023
"U.S." or "United States"	the United States of America
"U.S. dollars" or "US$"	U.S. dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"VAT"	value-added tax
"Yujiacheng"	Yujiacheng Trading Co. Limited* (裕嘉程商貿有限公司) (previously known as Tianjin Yujiacheng Construction Engineering Co., Ltd.* (天津裕嘉程建築工程有限公司)), a limited liability company established under the laws of the PRC on March 1, 2017 and is a wholly-owned subsidiary of our Company
"Zhuhai Zhongqing"	Zhuhai Zhongqing Henghui VIII Equity Investment Partnership (Limited Partnership)* (珠海中青恒輝八期股權投資合夥企業(有限合夥)), our [REDACTED]

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

In this document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "subsidiaries" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

DEFINITIONS

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.

The English names of PRC entities, PRC laws or regulations, and PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese marked with "" is for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"APPs"	mobile internet applications
"contract value"	final negotiated or proposed price of a contract before tax
"curtain wall"	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keeping air and water from penetrating the building envelope
"EPC"	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
"GDP"	gross domestic product
"integrated development environment"	a software application that provides comprehensive facilities for software development
"intelligent building"	a term commonly used in the construction industry which represents an optimal integration of a building's structure, systems, services, and management using modern information technology and other related technological methods to meet the needs of users, and aims to provide a humanized building environment that is safe, comfortable, and convenient
"IoT"	internet of things, the concept of connecting physical devices to a large, interconnected network
"IT"	information technology
"m^2" or "sq.m."	square meter
"m^3"	cubic meter
"R&D"	research and development
"RFID"	radio frequency identification

"steel structure"	structural supporting elements comprising steel columns, girders and beams of a construction project
"ton"	a unit of mass equal to 1,000 kilograms

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," "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this document and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- our capital expenditure plans;
- our operation and business prospects;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to control or reduce costs;
- our dividend policy;
- the actions of and developments affecting our major customers and suppliers;
- the ability to attract and retain our users;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- the amount and nature of, and potential for, future development of our business;
- future developments, trends and conditions in the industries and markets in which we operate;
- changes to the regulatory environment, policies, operating conditions and general outlook in the industries and markets in which we operate;

- general economic, political and business conditions in the PRC; and
- certain statements included in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information" and "Future Plans and [REDACTED]" in this document with respect to operations, margins, overall market trends, risk management and exchange rates.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no 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, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or any of our Directors are made as of the date of this document. Any such information may change in light of future developments.

An [REDACTED] in our [REDACTED] involves risks. You should carefully consider all of the information in this document, including our consolidated financial statements and related notes before making an [REDACTED] in our [REDACTED].

You should pay particular attention to the fact that our business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial conditions, results of operations and prospects could be materially and adversely affected by any of these risks. The [REDACTED] [REDACTED] of our [REDACTED] may decline due to any of these risks, and you may lose all or part of your [REDACTED]. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth are subject to macroeconomic conditions in the PRC, particularly in Tianjin, and changes in market demand for our services and renewal or revision of government policies and regulations in relation to the construction market, which are beyond our control.

Our business and future growth depend on macroeconomic conditions and levels of construction and infrastructure development in the PRC, particularly in Tianjin where our business is focused.

According to Frost & Sullivan, in 2021 and 2022, the implementation of tight policies on real estate financing has resulted in a liquidity crisis for developers in the real estate, and real estate developers were facing difficulties in obtaining the necessary funds for their projects. After the real estate downturn in 2021 and 2022, despite the release of several favorable government policies to promote market stability and instill confidence in the real estate market since late 2022, it will take more time for the real estate market to bounce back. In 2023, real estate development investment was RMB11.1 trillion, representing an annual decrease of 9.6%. Among which, residential investment was RMB8.4 trillion, representing an annual decrease of 9.3%. The construction area of real estate development enterprises was 8.4 billion square meters in 2023, showing a decrease of 7.2% as compared to that of in 2022. Specifically, residential construction area was 0.7 billion square meters, showing a 20.9% decline as compared to that of 2022. According to Frost & Sullivan, the favorable government policies are gradually taking effect but the current real estate market in the PRC is still undergoing a transition period.

The business and financial position of our customers are affected by the macroeconomic conditions, GDP, fixed asset investment or the demand for construction services in the PRC or local area, which could affect the demand for our services. The adverse effect on the business and financial position of our customers in turn could have an adverse effect on our business, financial conditions and results of operations.

Furthermore, our business operations are governed by a wide range of laws, regulations and policies relating to the construction industry set out by the PRC governmental authorities. The underlying requirements in relation to the renewal or grant of qualifications, licenses and permits, approval of construction works and projects, as well as compliance with various industry standards and regulations may be subject to renewal or revision.

For the years ended December 31, 2021, 2022 and 2023, our revenue generated from the construction projects located in Tianjin amounted to RMB255.2 million, RMB279.7 million and RMB276.2 million, representing 92.9%, 97.4% and 86.6% of our total revenue generated from our construction services, respectively. Therefore, we may be susceptible to adverse changes in macroeconomic conditions and local regulatory policies affecting the construction industry in Tianjin where we primarily conduct our business, including the policies that affect local government budgets on public construction works and private sector participation in the related industry. These policies may affect the level of activity in the local construction industry and, in turn, affect the number of construction projects available to us.

According to the Frost & Sullivan Report, infrastructure investment in Tianjin is forecasted to continue to grow at a CAGR of approximately 6.0% from RMB0.4 trillion in 2022 to RMB0.5 trillion in 2027. The market size of municipal public construction in Tianjin is forecasted to continue to grow from approximately RMB45.9 billion in 2022 to approximately RMB71.2 billion in 2027, representing a CAGR of approximately 9.2%. For further details, please refer to the section headed "Industry Overview" in this document. There can be no assurance that the market we operate and/or target to operate in will continue to grow as forecasted in the future.

Construction contractors are required to hold relevant licenses or qualifications to demonstrate they possess the professional skills to undertake the relevant types of construction works. Main contractors are required to obtain the required qualifications which are approved by the MOHURD and local government authorities in order to undertake construction works in the PRC. There can be no assurance that the PRC governmental authorities will not adopt additional industry-related policies in the future, which may have a material and adverse effect on our business, financial conditions and results of operations.

Our business operations, working capital and cash flow position may be adversely affected if our customers delay in processing payment or fail to settle our bills.

Our working capital, future operations and cash flow are largely dependent on the timely settlement of the payments by our customers. It generally takes one month to one year to complete the required construction works for our construction projects, depending on the scale and complexity of the project. Moreover, even after we have completed the work required, the process of settlement audit as well as the internal procedures for our customers to settle their payments to us afterwards may take months to complete, therefore it may take more than one year for us to receive the corresponding payments for our construction works after completion of the relevant projects, which may affect our working capital and cash flow position. If we experience delays in payments from our customers, our trade and bills receivables will increase.

In addition, as our business is project-based and our progress of construction work may vary among projects at different point of time, we may experience significant amount of cash outflow at a specific point of time as we may make payments in advance for procuring construction materials, equipment and labor at the beginning of a project, in particular large scale project (i.e. projects with original contract value (not including VAT) of more than RMB10.0 million), or before achieving certain project milestones, which may lead to a decrease in the amount of our cash and cash equivalents at the relevant point of time. As such, if our customers fail to make timely payments or default on payments, or if there is a lapse in time between the receipt of payments from our customers and the payments we owe to our suppliers, our results of operations would be adversely affected and our working capital would be reduced. In the event that we are unable to generate sufficient cash flow from our operations or are otherwise unable to obtain sufficient funds to bridge the temporary cash flow mismatch, our liquidity and financial condition may be materially and adversely affected. Our cash and cash equivalents as of December 31, 2021, 2022 and 2023 was RMB11.3 million, RMB20.2 million, and RMB6.4 million, respectively. Since most of our construction projects are in Tianjin, we face limitation in our operations during winter. As such, our revenue in the first half of the year is generally smaller than that in the second half of the year. In addition, based on our experiences during the Track Record Period, certain customers tended to settle part of our trade and bills receivables at certain point of time during the year, for example, prior to the Chinese New Year.

We recorded a net cash used in operating activities of RMB33.6 million for the year ended December 31, 2023 mainly due to our completion of certain large scale projects in the second half of 2023 and the certification process of such projects were substantially completed in late 2023, resulting in a significant increase in trade and bills receivables of RMB118.2 million as of December 31, 2023. Such trade and bills receivables were pending settlement of payment by the relevant customers as of December 31, 2023. We cannot assure you that we will not experience negative net operating cash flows in the future. 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. We may not 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 trade and bills receivables amounted to RMB90.7 million, RMB124.0 million and RMB232.5 million as of December 31, 2021, 2022 and 2023, representing 29.7%, 28.7% and 41.8% of our total assets, respectively. As of December 31, 2021, 2022 and 2023, the provision for impairment losses on trade and bills receivables amounted to RMB2.3 million, RMB6.3 million and RMB16.0 million, respectively, accounting for 2.5%, 4.8% and 6.4% of our trade and bills receivables, respectively. For the years ended December 31, 2021, 2022 and 2023, our average trade and bills receivables turnover days were 83.3 days, 141.5 days and 216.0 days, respectively. Our trade receivables aged over one year based on invoice dates amounted to RMB18.2 million, RMB23.5 million and RMB68.6 million as of

December 31, 2021, 2022 and 2023, respectively. During the Track Record Period, our Group experienced continued increase in the amount of trade and bills receivables aged below and over one year, primarily due to (i) long settlement procedures involving multiple levels of approval for our government authorities or state-owned enterprises customers; (ii) rigid working capital management of our customers; and (iii) our customers that are main contractors normally would only arrange to settle our bills after they have received payment from their customers. For further details, please refer to the section headed "Financial Information — Description of Selected Items of the Consolidated Statements of Financial Position — Trade and bills receivables" in this document. There can be no assurance that we will be able to collect all or any of our trade and bill receivables, and we may record impairment losses on such receivables in the future, which could have a material and adverse effect on our business, results of operations and financial conditions.

We face intense competition in our industry, which could adversely affect our business.

During the Track Record Period, we focused our operations in Tianjin and may face intense competition in the construction industry. According to the Frost & Sullivan Report, there were 2,547 construction enterprises in Tianjin in 2022, and the Company accounted for a market share of 0.1% in the overall construction market in terms of construction revenue in Tianjin in 2022. On the other hand, the municipal public construction industry is highly fragmented in Tianjin, in 2022, the top five municipal private construction companies accounted for an aggregate market share of approximately 3.0% in terms of municipal public construction revenue among all municipal public construction companies in Tianjin.

We plan to expand our business operations to areas outside Tianjin by setting up branch offices in Xi'an, Nanchang and Guiyang as we saw potential in developing our construction business in Shaanxi province, Jiangxi province and Guizhou province. We may face fierce competition in these areas due to the highly fragmented nature of the construction industry in such areas. There were approximately 1,400 construction enterprises in Xi'an in 2022 and the top five construction companies accounted for an aggregate market share of less than 12% in terms of construction revenue among all private construction companies in Xi'an in 2022. There were approximately 1,300 construction enterprises in Nanchang in 2022 and the top five construction companies accounted for an aggregate market share of less than 15% in terms of construction revenue among all private construction companies in Nanchang in 2022. There were approximately 500 construction enterprises in Guiyang in 2022 and the top five construction companies accounted for an aggregate market share of less than 7% in terms of construction revenue among all private construction companies in Guiyang in 2022.

Accordingly, we face intense competition from a significant number of state-owned and state-controlled construction companies which provide similar services or alternatives. We compete directly with these competitors for labor, raw materials, customers and suppliers. We compete primarily on the basis of qualifications, experience, service quality, price, access to resources, sales and marketing. As our business operation is relatively smaller in scale as compared to other sizable or state-owned and state-controlled construction companies in the PRC, we may not be able to compete with such companies which may have greater capital, financial, technical and marketing resources. In order to capture potential business opportunities and develop relationships with customers, some market participants may adopt more aggressive pricing approaches and may lead to a downward pricing pressure in the market, which we may not be able to offer comparable prices for our construction projects. Any significant increase in competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results. There can be no assurance that we will be able to increase or maintain our existing market share and maintain our market position. Our competitors may be capable of providing better services and responding to market changes faster and more effectively than us. Failure to maintain our competitiveness may lead to loss of business and lower profitability and thus market share, which would adversely and materially affect our business operations and financial conditions.

If we are unable to fully recover our contract assets or if retention fee is not fully released to us after expiry of the warranty period, our liquidity and financial position may be adversely affected.

Contract assets are recognized when our Group recognizes revenue before being unconditionally entitled for billing under the payment terms are set out in the contract (such as upon completion of settlement audit). For details of the accounting treatments of our construction projects, please refer to the section headed "Financial Information — Description of Selected Items of the Consolidated Statements of Financial Position — Contract Assets" in this document. Contract assets are transferred to receivables when the rights to the consideration have become unconditional which usually occurs when we measure the progress and bill our customers. Our Group recorded contract assets of RMB126.6 million, RMB214.7 million and RMB221.3 million as of December 31, 2021, 2022 and 2023, respectively. During the Track Record Period, our Group experienced continued increase in the amount of contract assets aged over one year, primarily due to (i) a majority of our customers were government authorities or state-owned enterprises, which the time required for completing certification for such customers are generally longer; (ii) the prolonged certification and settlement audit process for certain types of projects; and (iii) regional outbreak of COVID-19 in the PRC in 2022. For further details, please refer "Financial Information" — Description of Selected Items of The Consolidated Statements of Financial Position — Contract assets" in this document.

There can be no assurance that the financial position of our customers will remain solvent, or that our customers will settle our progress payment or release the retention fee on time after expiry of the warranty period, or that we will be able to recover our contract assets in full or at all in the future. If we are unable to receive our progress payments and retention fee or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

If we are unable to perform our contracts with customers and fulfill our obligations, our financial position and results of operations may be adversely affected.

Generally, several factors may lead to project delays, including but not limited to: (i) failure to obtain various regulatory approvals, licenses or permits from government agencies as scheduled; (ii) delivery delays caused by shortages of key equipment, materials or labor; (iii) suspension of the construction of certain outdoor projects ordered by authorities during severe air pollution or other extreme weather conditions; (iv) quality problems with equipment; and (v) unanticipated engineering, design, environmental or geological problems. Any failure or delay during the construction of a project could result in a delay or reduction in payment by the project owners to us and could have a material and adverse effect on our reputation, business, financial position and results of operations.

If we fail to fulfill our obligations under our contracts with customers, we may not receive the payments from our customers, and our customers may require us to refund the payments received or seek damages under the contracts, which may adversely affect our cash flow and liquidity position and our ability to meet our working capital requirements, which in turn could affect our financial position and results of operations.

If we are unable to accurately estimate or control our costs for projects, or there are substantial changes to the scope of work we are required to perform, we may incur additional expenses, which could adversely affect our profitability.

We enter into contracts which usually charge construction fee based on fixed unit price or a fixed contract sum for our construction services that take place over a period of time. We are responsible for our own costs and risks of the construction work pursuant to the contracts from time to time. Cost overruns may occur due to the evolving macroeconomic conditions, variations in labor and equipment productivity, price fluctuations of raw materials, cost fluctuations of labor and unforeseen conditions. Our profitability is vulnerable to changes in the cost of projects. Cost overruns may result in lower profit margin or even losses in a project. Total costs incurred in any project may be influenced by a variety of factors, including but not limited to availability of subcontractors, materials and equipment, changes in project scope or conditions, fluctuations in the market prices of materials and performance of subcontractors, many of which may be beyond our control. Increases in costs in any particular project, especially to the extent that such increases were unforeseen at the time when we entered into the contract and that such increases were not factored into the initial pricing and were not otherwise passed to our clients, may lead to lower-than-expected profits or even losses for us, which could materially and adversely affect our business, financial conditions and results of operations.

We may not be able to maintain our current tender success rate.

Due to the nature of our industry, our business is project-based which is not recurring in nature. During the Track Record Period, we obtained a large majority of our projects through tendering, accounting for more than 95% of our total revenue generated from construction projects. For the remaining projects, we obtained them through negotiation with our customers (which involves price inquiry and price comparison by our customers). For each of the three years ended December 31, 2021, 2022 and 2023, we submitted 243, 124 and 110 tenders for construction projects, with tender success rates of approximately 25.1%, 25.0% and 22.7%, respectively. There can be no assurance that we will be invited to participate in tender processes and even if we are invited, our tender success rate is not within our control. Therefore, there can be no assurance that we will succeed in tender processes, and maintain or increase our tender success rate.

Moreover, we may not be awarded with new contracts by our customers upon expiry of the existing contracts. If our Group is not able to maintain the current tender success rate, or if we are unable to secure new projects with a contract sum similar to, or larger than, that of our current projects on a continuous basis, our revenue and operation may be materially and adversely affected. Besides, it takes approximately several months for project identification and contract signing, thus the time and effort spent on the bidding may also adversely affect the business operations of our Group.

There is no guarantee that our existing customers will continue engaging us in future business.

We are awarded construction projects on a project-by-project basis by our customers. Accordingly, our existing customers are not obligated to award projects to us or to place new orders, and there is no guarantee that we will be able to secure new business from our customers despite the long-term relationships we may have established with certain customers. As a result, our revenue and the number of projects we are able to secure may vary from period to period, and it is difficult to accurately predict our future business. Our business is project-based, which is non-recurring in nature. Our top five customers are generally different for each of the years during the Track Record Period, and the business relationship between us and our top five customers during the Track Record Period are generally within three years. In addition, there can be no assurance that we will be able to secure future business from our existing customers, or that we will be able to obtain new customers, in which case our business, results of operations and prospects would be materially and adversely affected.

Failing to maintain or renew our material licenses, qualifications and permits could affect our business operations and results of operations.

Since we are primarily engaged in the construction related business, we are required to maintain and renew a number of licenses, qualifications and permits. As of the Latest Practicable Date, we possessed 25 qualifications related to our construction business, which included two first-grade construction qualifications: (i) first-grade qualification in petrochemical engineering construction general contracting* (石油化工工程施工總承包壹級資質); and (ii) first-grade qualification in foundation construction professional contracting* (地基基礎工程專業承包一級資質). For further details, please refer to section headed "Business — Licenses, qualifications and permits" in this document. To maintain or renew such licenses, qualifications and permits, our Company may be subject to inspections, examinations and inquiries by the relevant government authorities. We cannot guarantee that we will be able to maintain or renew the requisite licenses, qualifications and permits or comply with the new requirements for maintaining those licenses, qualifications and permits if new laws or regulations are promulgated or the existing laws and regulations are amended. Failure in renewing any of the material licenses, qualifications and permits may prevent us from undertaking or carrying out certain types of projects or works or we may be subject to penalties or may incur additional costs. As a result, our business, financial conditions and results of operations may be adversely affected.

We have limited control over the quality, availability and performance of our subcontractors.

We may lack the technical qualifications for certain specific types of construction works in a project, including but not limited to electricity system construction, fire protection and waterproofing works. Thus, from time to time, we engage subcontractors to provide labor services and ancillary construction services in the course of our project execution. During the Track Record Period, we engaged subcontractors to provide (i) labor services; and (ii) ancillary construction services on a project-by-project basis. For the years ended December 31, 2021, 2022 and 2023, the total subcontracting fees we paid to our appointed subcontractors were approximately RMB85.3 million, RMB101.1 million and RMB118.0 million, respectively, representing approximately 42.0%, 46.9% and 49.4% of our total cost of sales for the same years, respectively. Despite the fact that we have policies in place to monitor and check on the performance of our subcontractors from time to time, we may not be able to monitor such subcontractors as closely and effectively as we monitor our own employees. There can be no assurance that each of our subcontractors has the level of skills and competence required by us. If the services rendered by the subcontractors are not timely delivered or their work is of low quality, we may incur extra costs for engaging alternative subcontractors to remediate the work or we may be liable to compensate our customers for the delay in the project schedule, which in turn would affect our results of operations and profitability.

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.

Our construction projects may place our employees or subcontracted workers in potentially hazardous environments in close proximity to heavy construction machinery and equipment, moving motor vehicles, highly volatile materials. Despite the implementation of safety policies and standardized construction methods and techniques, our employees and subcontracted workers are still exposed to risks associated with our construction activities, such as equipment failure, industrial accidents, geological catastrophes, fires and explosions. These hazards may cause personal injury or fatalities, as well as damage or destruction of our properties and equipment. During the years ended December 31, 2021, 2022 and 2023, our Group had nil, two and nil workplace accidents, respectively. The two workplace accidents that occurred in 2022 resulted in a loss of total 30 working days for the two injured employees. For further details of the accidents, please refer to the paragraph headed "Occupational health and safety" under the section headed "Business" in this document. There can be no assurance that workplace accidents will not occur in the future, despite the implementation of safety policies and measures. Even if such accidents are not caused by our fault or negligence, such accidents may result in disciplinary action by the PRC governmental authorities and/or cause us to incur substantial costs and damage to our reputation, which could have a material and adverse effect on our business, financial position and results of operations.

Our business is concentrated in Tianjin and there is no assurance that our plan to expand to other regions in the PRC will be successful.

To diversify our revenue source and customers base, in addition to business expansion in Tianjin, we plan to explore and develop new business opportunities in other regions in the PRC, where we have little operating experience. These new regions may have different competitive landscape, business and regulatory environments, market conditions and customers' preferences. Potential customers in these regions may not be familiar with us and we may need to build up our reputation in such markets through greater investments in marketing activities and participations into the local projects to increase our visibility. We may also find it more difficult in new regions to hire, train and retain qualified employees who share our business philosophy and culture. Therefore, we could not guarantee that we will be able to replicate our business model in other regions.

In addition, we may need additional capital to fund the expansion and investment plan to set up new offices in other regions in the PRC should our expansion plan materialize. Please refer to the section headed "Future plans and [REDACTED]" in this document for details about our plan to establish local branch offices outside Tianjin and expand our business presence in more cities in the PRC. In the event that we do not have sufficient operating cashflow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. As a result, we cannot assure you that our plan to expand to other regions in the PRC will be successful.

We may encounter difficulty in managing our future growth.

Our total revenue increased from RMB274.9 million in 2021 to RMB319.4 million in 2023, with a CAGR of 7.8% from 2021 to 2023. Our ability to continue to grow our business depends on our ability to continuously and successfully implement our business strategies, which primarily depends on our ability to tender for, and compete for, more construction projects, improve our profitability, as well as capture more business opportunities. The success and growth of our business operations depends on effective management of risks in relation to, among other things, the general macroeconomic conditions and the relationships with our customers and suppliers. Despite we are steadily expanding our business, there can be no assurance that our systems, procedures, controls, personnel and expertise will be adequate to support our future growth. Failure to achieve any of the foregoing, or to manage the risks and uncertainties of measures to achieve the foregoing, could materially and adversely affect our business, financial conditions, results of operations and growth prospects.

Failure to attract, retain or secure our senior management and key technical personnel for our operations could hinder our continuous growth and success.

Our success depends, to a significant extent, on the services and efforts of our senior management and key personnel and our ability to attract, retain and motivate them. Our management team is led by our executive Director, Mr. Zhao Kuanghua, who joined our Group in 2018 and possesses over a decade of experience in the construction industry. Our key management members possess over a decade of management skills and/or operational experience in construction industry or their respective areas of expertise, enabling us to develop competitive project solutions and address project challenges and associated market risks, which is instrumental in building our reputation in the market and the success of our business. We may compete with other regional and national construction companies for experienced management and qualified personnel, and the competition may be intense. There can be no assurance that we will be able to continue to attract and retain the qualified personnel essential for our growth. The loss of services of any employees holding important positions or possessing industry expertise or experience, especially specialized key technical personnel, could have an adverse impact on our business operations. If we are unable to timely recruit replacement personnel with the equivalent qualifications, our growth and success could be adversely affected.

We currently have a relatively concentrated customer base. The loss of one or more of our major customers, or a failure to expand our customer base, could negatively affect our results of operations.

Due to the nature of our industry, our business is project-based which is not recurring in nature. During the Track Record Period, we obtained a large majority of our projects through tendering, accounting for more than 95% of our total revenue generated from construction projects. For the remaining projects, we obtained them through negotiation with our customers (which involves price inquiry and price comparison by our customers). For the years ended December 31, 2021, 2022 and 2023, 63.5%, 77.0% and 81.6%, respectively, of our total revenue were derived from services provided to our top five customers. If our business relationships with our major customers are terminated or curtailed, the revenue we derive from providing services to them may significantly decrease.

The decrease in the amount of business we do with these major customers, the deterioration of our relationships with any major customer, or any material negative trend in markets in which these customers operate, could materially disrupt our operations and our revenue and cash flows from operating activities could be significantly reduced. If we are unable to successfully obtain projects other potential customers with similar scopes and scales of demand and commercial terms on a timely basis, or at all, the loss of business from such customers could have a material and adverse effect on our business and results of operations, as well as our ability to attract and retain other customers. If we fail to manage such risk or deterioration in our relationships with our major customers, our brand and reputation could also be materially harmed.

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

As raw materials constitute a substantial portion of our cost of sales, we are vulnerable to changes in market prices and the availability of our raw materials. Our raw materials primarily include steel, concrete and other construction materials. For the years ended December 31, 2021, 2022 and 2023, cost of materials consumed by us accounted for 48.0%, 41.4% and 28.8% of our cost of sales, respectively. Raw materials prices depend on a variety of factors beyond our control, including the global and PRC economy and related regulatory policies, climatic change and industry demand. For instance, according to the Frost & Sullivan Report, in September 2021, due to the sustained increase in the price of global commodities and the implementation of Measures to Improve the Dual Control System on Energy Intensity and Total Consumption (《完善能源消費強度和總量雙控制度方案》) issued by the NDRC, various cities implemented measures to restrict power consumption and production, leading to a significant decline in output and a situation of supply shortage and high demand. As a result, the prices of raw materials showed a surge in 2021. There can be no assurance that the prices of our raw materials will remain at the same level and that there will not be a shortage of our raw materials. If there is shortage of raw materials or fluctuation in price and we are unable to pass on the corresponding price increases to our customers, our profit margins may decrease, our cost of sales may increase, and our results of operations may be adversely affected.

Further, we typically procure our major raw materials from a list of qualified suppliers, all of whom were domestic companies. In the event of an overall increase in market demand for such materials, we cannot guarantee that we will be able to obtain our principal raw materials from our qualified suppliers in necessary amounts and in a timely manner. If our supplies are disrupted, or if one or more of our current suppliers are unable to meet our requirements for any reason, we may incur substantial costs and delays in our operations. Although we believe that alternative suppliers for our raw materials are readily available, any unanticipated supply interruption may have an adverse effect on our business, financial position and results of operations.

Our backlog, historical financial and operating results may not be accurately indicative of our future performance, and we may not be able to sustain the historical level of revenue and profitability.

We are subject to risks of contracts being modified, canceled or even terminated due to certain circumstances that are beyond our control, including project delays and failure of the customers to settle the contract value. There can be no assurance that the contract backlog amount can accurately reflect our profitability in the future. We also cannot guarantee that our backlog amount will be recognized in a timely manner or in full.

In addition, during the Track Record Period, there was an increasing trend in the revenue of our Group. Our revenue increased from RMB274.9 million for the year ended December 31, 2021 to RMB288.0 million for the year ended December 31, 2022 and further to RMB319.4 million for the year ended December 31, 2023. Such trend of financial information does not have any implication and may not necessarily reflect our future financial performance. Our future financial performance largely depends on our capability to secure new contracts, maintain our relationships with existing customers and keep our costs similar to the current level. There can be no assurance that such growth rate can be sustained and should our Group experience any stagnation or negative growth in the future, our profitability will be adversely affected.

We may not be able to successfully identify, consummate and integrate future acquisitions and our planned expansion in new regions in the PRC may be delayed or challenged.

We intend to expand our construction business into areas such as new energy engineering and new urban infrastructure construction as well as further expand our petrochemical engineering works business. During the Track Record Period, we mainly operated in Tianjin and we did not have significant geographical presence outside of that area. We intend to acquire construction companies that are located in Xi'an, Nanchang or Guiyang, which focus on petrochemical engineering, new energy engineering or new urban infrastructure construction and hold the relevant licenses or qualifications to undertake such works. However, there can be no assurance that we will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, including, without limitation, potential on-going financial obligations, unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management attention. Even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on terms favorable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

In addition, we have been and may, in the future, be the target of incomplete, inaccurate and false statements in relation to the proposed acquisition. Our reputation could therefore be potentially damaged by these incomplete, inaccurate and false statements which are beyond our control, no matter if such statements are in fact related to us.

We may lack knowledge and experience with the local markets, and our competitors in these new markets may have stronger financial resources, more established presence and better understanding of customer requirements and preferences. Our efforts to expand our operations geographically would likely depend on a number of factors beyond our control, including the macroeconomic conditions and regulatory policies, the level of competition in the construction industry, changes in customer demand, prices of equipment and raw materials, labor supply and transportation cost. As such, we may not be able to manage our expansion effectively and efficiently, which could adversely affect our results of operations.

Failure to comply with relevant laws and regulations could materially affect our business operations.

We are subject to extensive laws and regulations in the PRC at the national and local levels, which govern various aspects of our operations. Despite the implementation of our internal control measures, we cannot assure that our measures are sufficient and effective to prevent our Group from violating laws and regulations in the PRC. Changes in the relevant PRC laws and regulations and their interpretation and enforcement may expose us to the risk of non-compliance with the laws and regulations. We may be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our licenses, if non-compliance is identified and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations.

Discontinuation of any of the preferential tax treatments currently available to us can adversely affect our financial conditions and results of operations.

Pursuant to the EIT Law, the EIT rate generally applicable in the PRC has been 25% since January 1, 2008. In November 2019, our Company was certified as a High and New Technology Enterprise* (高新技術企業) and is entitled to enjoy a preferential EIT rate of 15% until 2024, rather than the EIT rate of 25% generally applicable to the PRC tax resident enterprises. There can be no assurance that such preferential EIT rate will remain the same or be renewed in the future. Therefore, there can be no assurance that our Company will continue to enjoy the preferential tax rate in the future. If our Company fails to maintain or renew the High and New Technology Enterprise* (高新技術企業) certification or the PRC governmental authorities change their tax policy of supporting new technology development, the EIT rate applicable to us may increase to 25% or other rates as the PRC governmental authorities may determine. This can have an adverse effect on our cash flow and financial position.

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

Most of our construction projects are conducted outdoors, therefore our projects may be adversely affected by severe weather conditions and air pollution. For instance, we may experience significant project delays or suspension of construction temporarily caused by inclement weather, such as protracted periods of precipitation or extreme temperatures. These situations could result in our inability to meet key milestones set forth in our construction 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 result in cancelation of orders by our customers, any of which could negatively affect our reputation, business and results of operations.

In addition, our construction business is affected by seasonality, primarily due to latent construction activities during the Chinese New Year and climate differences in different regions covered by our construction business. Our construction operations are primarily located in Tianjin, which may face limitations during the winter. Moreover, most of our construction projects may be completely suspended during the Chinese New Year period. Although we may overcome some seasonal impacts to our construction business with the advancement of our technology and improvement of equipment, we may nonetheless incur additional expenses or experience delays in progress when conducting our construction business under inclement conditions.

Our business operations may in the future be affected by health epidemics or outbreaks of contagious diseases.

The outbreak of COVID-19 in China in the first quarter of 2020 and resurgence of COVID-19 cases in certain major cities across China throughout 2022 have led to the imposition of various pandemic mitigation measures, including lockdowns, suspension of construction work, travel bans and strict social distancing and quarantine measures. These measures have caused temporary disruption to our operations and we encountered minor delays in our construction progress in some of our projects during the Track Record Period. Due to the COVID-19 prevention and control measures in Tianjin in late 2022, the certification progress of some of our projects were delayed from the fourth quarter of 2022 to the second half of 2023, leading to a delay in the conversion of contract assets to trade receivables in the amount of RMB87.2 million as of December 31, 2022. We incurred administrative expenses in relation to purchasing COVID-19 preventive supplies in a total amount of approximately RMB0.1 million during the Track Record Period.

Thus, any future occurrence of outbreaks of COVID-19 or other epidemics and contagious diseases in China or globally, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza or the Ebola virus, or the governmental measures in response to such contagious diseases, may materially and adversely affect our business, financial condition and results of operations.

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

We may be involved in claims and litigations in the ordinary course of our business for, among other things, defective or allegedly defective services, personal injuries, damage to or destruction of property, payment disputes, breaches of contract, and project delays. If found liable on such claims, we may face significant monetary damages, as well as find ourselves subject to sanctions from relevant governmental authorities, including fines and the loss of operational licenses, approvals and permits. We may be subject to lengthy and expensive legal proceedings if the dispute is not resolved through negotiations. Furthermore, we might suffer from negative publicity resulting from such claims. There can be no assurance that we will not be subject to future liability claims or that if any such claims were successful, our business prospects, results of operations and reputation would not be materially and adversely affected.

We may be unable to prevent or detect bribery or other misconducts committed by our employees or third parties.

We may be exposed to bribery and other misconducts including, among other things, acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties. Our risk management and internal control systems are designed to monitor our operations and ensure overall compliance, however, its effectiveness depends on the implementation and adherence by our employees. There can be no assurance that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors. Although we have implemented measures to detect and prevent the misconduct of employees and third parties, there can be no assurance that our internal control systems will be effective in preventing 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. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial conditions and results of operations could be materially and adversely affected.

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

We maintain insurance policies in accordance with the needs of our business and the requirements set forth in relevant laws and regulations. However, there can be no assurance that the insurance policies will provide adequate coverage for all of the risks associated with our business operations. If we are to incur substantial liabilities that are not covered by our insurance policies or if we suffer extended periods of disruption or interruption in our business operations, we could incur significant costs and losses that could materially and adversely affect our results of operations. In addition, the occurrence of certain incidents, including earthquakes, fires, adverse weather conditions, war, floods, power outages, equipment failures, construction accidents and the consequences, damages and disruptions resulting from any of the foregoing incidents, may not be covered adequately, or at all, by our insurance policies. Any uninsured losses or liabilities may cause us to incur substantial costs and the diversion of resources, which could have an adverse effect on our business operations.

We may be exposed to intellectual property disputes and infringement claims, which may harm our reputation and profitability.

We rely upon a combination of patents, trademarks, software copyrights and domain names to protect us against infringement. As of the Latest Practicable Date, we had registered 85 intellectual property rights. We may have to resort to litigation to enforce our intellectual property rights and protect our proprietary information. Any legal proceeding, litigation or claim, brought by us or against us, can incur additional costs, divert our management's attention and resources, and hence may undermine our profitability. In addition, there can be no assurance that our employees will not breach the employee confidentiality agreements and therefore we cannot ensure that there will not be any misappropriation of proprietary information. Any case of such misappropriation may result in a decrease in our revenue and a decline in our competitiveness.

Our R&D expenses may not enhance our operations and improve our services in the short run.

We believe that R&D is of great importance to our business owing to the constantly evolving construction industry. As of the Latest Practicable Date, our R&D team consisted of 42 employees including personnel with qualifications of mid-level and senior engineer, construction engineer or cost engineer, who possess extensive experience and in-depth understanding of our business requirements to provide technical guidance to our R&D activities and enhance the overall research capability of our Group to keep up with market trends. We have dedicated a significant amount of efforts into developing our construction project management system and construction technologies. Through R&D, we endeavor to enhance the efficiency and effectiveness of our construction solutions and to develop more innovative construction solutions so as to maintain or even enhance our competitiveness in the construction industry. However, the achievements of our R&D may not be realized within the timeline as expected by us and there may also be discrepancy between the expected and actual returns resulting from applying the outcome of the R&D. As a result, if the profits generated from our R&D are not able to cover its costs in the short run, our revenue, results of operations and business will be adversely affected in the short run accordingly.

We may experience failures in our information technology systems including our construction project management system.

We rely, to a large extent, on our IT systems including our construction project management system for our daily operations and project management. Our IT systems are critical to our operations and also support our key operational processes. Our operating efficiency and risk management practices have been enhanced by such IT systems. However, our IT systems may be subject to risks such as computer viruses, hardware and software failures, telecommunications failures, power outages, fires, natural disasters and other similar events. IT system redundancy (i.e. duplication of systems as a backup) and other IT service measures to protect our systems in cases of breakdown in the above circumstances may be inadequate. Such failures or disruptions could adversely impact our business by, among other things, preventing access to our office online system, interfering with customer transactions or impeding the measurement or monitoring of our raw materials, labor and equipment in the project. These events could materially and adversely affect our reputation, financial conditions and operating results, or result in adverse claims or other legal proceedings against us. Although we have not experienced any major IT system breakdown during the Track Record Period, there can be no assurance that our IT systems will always operate without interruption in the future.

We may fail to upgrade as well as adapt and respond timely and effectively to rapidly changing technologies and new trends in IT systems.

We have used our Jiexiao System for project management in various phases of construction projects, which contributes to the cost control and effective management of our projects.

We believe that, in light of the technological advancements and new trends in the industry, our ability to continue to utilize technologies in our construction services is crucial to our future success.

Preferences on services may change rapidly in the future as a result of development and progress of technologies. Our existing IT systems applied in our services may become obsolete or less relevant if we fail to accurately predict future development trends, and such changes may tamper our strengths. We may incur significant costs in developing new IT systems and building up such resources and expertise, in order to make use of the latest IT in our operation. Our existing IT systems may become less efficient if their functionalities fail to keep up with industrial standards or trends, following which our customers may become less willing to conduct business with us without effective assistance from our Jiexiao System. We may not be able to identify and respond to these new trends in a timely manner, or at all. Further, substantial time and costs may be required to adjust our IT systems in response to such rapid changes.

We cannot assure that we may keep ourselves abreast with the development of latest technology in the industry in which we operate. In the event that we are unable to accurately predict market trends or adapt to evolving market demand, our ability to innovate and meet stakeholders' needs will suffer and our revenue and profitability, as well as our reputation, may be materially and adversely affected. If we fail to address these developments, there may also be a material and adverse impact on our competitiveness and our ability to meet our growth targets.

Renewal of and changes in the PRC laws and regulations could adversely affect us.

As our businesses are conducted in the PRC, our operations are principally governed by PRC laws and regulations.

Interpretation and enforcement of the PRC laws and regulations regulating the PRC construction industry and foreign investments may be subject to changes in policies and economic and social environment. Our Company has to meet the policies requirements issued by relevant regulatory authorities from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies. If there are any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, more stringent requirements could be imposed on the industries we are currently engaged in. Compliance with such new requirements could impose additional costs or otherwise have an adverse effect on the PRC construction industry. In addition, if we fail to meet such new rules and requirements relating to, among others, approval, construction, environmental or safety compliance of our operations, we may be ordered by the relevant PRC regulatory authorities to change, suspend construction of or closure of the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to our competitors or could lower market entry barriers and increase competition. As a result, our business, financial conditions and results of operations could be adversely affected. For details of some of the relevant PRC laws and regulations to which our Group is currently subject to, please refer to the section headed "Regulatory Overview" in this document.

We are subject to environmental, social and governance requirements and responsibilities.

Our operations are subject to various environmental, health and safety laws and regulations relating to water, air and noise pollution, the management of materials and waste, workplace conditions and other social and ethical responsibilities. Our Group has set the quality, environment and safety targets, including: passing rate of 98% or more in one self-inspection of the project; customer satisfaction rate of 90% or more; 100% compliance with noise emission standards; and achieving a record of zero casualties and zero fire accidents. Despite we have taken measures to align our operations with industry best practices, we cannot assure you that we will remain in full compliance with the relevant laws and regulations at all times. Evolving environmental regulations may require significant expenditure for obtaining permits and regulatory compliance and can create the risk of expensive delays or material impairment of project value.

The adoption of new environmental, health and safety laws, policies or regulations, or changes in the interpretation or application of existing environmental, health and safety laws, policies and regulations that modify the present regulatory environment could require compliance procedures that increase our costs and have a material adverse effect on our ability to operate our projects. If we fail to meet such changes in such laws and regulations, we may not be able to renew our licenses, maintain our qualifications or obtain new qualifications in the construction business. Furthermore, if we are deemed to be non-compliant with environmental, health and safety laws and regulations in the future, we may be subject to administrative, civil and criminal proceedings initiated by governmental authorities, environmental groups, other entities or individuals, which could result in substantial fines and penalties against us, as well as court or administrative orders that could limit or halt our operations.

Any of these factors, if not properly addressed, may have a material adverse effect on our business, financial condition, results of operations and prospects.

You may have limited resources in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC and all of our business, assets and operations are located in the PRC. In addition, the majority of our Directors, supervisors and senior management reside in China. As a result, it may not be possible for [REDACTED] to effect services of process upon us, or our Directors, supervisors or senior management who reside in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of some other jurisdictions.

As between the PRC and Hong Kong, the new arrangement entered into between the Supreme People's Court of the PRC and the government of Hong Kong on January 18, 2019 has lifted the requirements for a choice of court agreement in writing in a civil or commercial case under the previous regime on bilateral recognition and enforcement. However, the new arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court of the PRC and the completion of the relevant legislative procedures in Hong Kong, and before such new arrangement becomes officially effective, it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, [REDACTED] may have limited resources when they seek recognition and enforcement of foreign judgments in the PRC.

You may be subject to PRC taxation.

Under applicable PRC tax laws, dividends paid by us to non-PRC resident individual holders of H Shares and gains realized by non-PRC resident individual holders of H Shares upon sale or other disposition of H Shares are both subject to PRC individual income tax. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045*(《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) dated June 28, 2011 issued by the State Administration of Taxation, the rate for tax on dividends is between 5% and 20% depending on the applicable tax treaties or arrangements between the PRC and the specific jurisdiction in which the non-PRC resident individual holder of H Shares resides or 20% if there is no such treaty or arrangement. However, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares* (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the PRC Ministry of Finance and the State Administration of Taxation on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. We understand that in practice to date the PRC tax authorities have not sought to collect from non-PRC resident individuals either the tax on gains realized upon sale or other dispositions of H Shares, or any excess of the tax on dividends paid by a PRC company over the amount that was withheld at source.

In accordance with the Notice of the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Shareholders which are Overseas Non-resident Enterprises* (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation of the PRC and effective from November 6, 2008, dividends paid to, and gains realized by, non-PRC resident enterprise holders of H Shares are both subject to PRC enterprise income tax at a rate of 10%. There are uncertainties as to the interpretation and application of applicable tax laws relating to collection of dividends and stock transfer by holders of H Shares due to several factors, including the relatively short history of certain of such laws. These uncertainties include, whether non-PRC resident individual holders of H Shares will be subject to PRC individual income tax at a flat rate of 20% even where payments are made through an organization such as [REDACTED] (and if so, whether and how the excess of PRC individual income tax on the dividends paid by us to non-PRC resident individual holders of H Shares over any amount withheld by us will be collected by the PRC tax authorities in the future), and whether and how income tax on gains realized by non-PRC resident persons upon the sale or other dispositions of H Shares will be collected by the PRC tax authorities in the future. If there is any change to the applicable PRC tax laws and interpretations or applications in respect of such laws, holders of H Shares may be required to pay PRC income tax (in the case of individuals, at a rate of up to 20%) on the dividends paid by us and gains realized upon sale or other dispositions of H Shares which have not historically been collected by the PRC tax authorities in practice.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our H Shares. An active [REDACTED] for our H Shares may not develop or be sustained and the liquidity of our H Shares may be limited.

Prior to the [REDACTED], there has been no [REDACTED] for our H Shares. The initial [REDACTED] range of our H Shares will be the result of negotiations between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us.

In addition, while we have applied to have our [REDACTED] on the Hong Kong Stock Exchange, there can be no guarantee that a [REDACTED] for our H Shares with adequate liquidity and [REDACTED] volume will develop and be sustained following the completion of [REDACTED].

Furthermore, all our Controlling Shareholders are subject to a 12-month lock-up period commencing from the [REDACTED], and the H Shares to be issued to our cornerstone investors, if any, will be subject to a 6-month lock-up period from the [REDACTED], during which they will not, *inter alia*, directly or indirectly dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares.

Accordingly, [REDACTED] H Shares, representing approximately [REDACTED] of our total share capital, will be free to [REDACTED] immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). As a result, a [REDACTED] on the Hong Kong Stock Exchange does not guarantee that an active and liquid [REDACTED] for our H Shares will develop, especially during the period when a significant portion of our H Shares are subject to lock-up undertakings, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the H Shares will rise following the [REDACTED].

The [REDACTED] and [REDACTED] of our H Shares may be volatile which could result in substantial losses for [REDACTED] purchasing our [REDACTED] in the [REDACTED].

The [REDACTED] and [REDACTED] of our [REDACTED] may be highly volatile. Several factors, some of which are beyond our control, including variation in our operating results, changes in our pricing policy, changes in securities analysts' estimates of our financial performance, announcements made by us or our competitors, regulatory developments or market changes in the PRC affecting us or our industry, strategic alliances, joint venture or acquisitions, any business interruptions resulting from nature disasters or accidents, addition or departure of our key personnel, release or expiration of lock-up or other transfer restrictions on our Shares, and involvement in litigation, could cause large and sudden changes to the [REDACTED] and [REDACTED] at which our [REDACTED] will [REDACTED].

Furthermore, the business, results of operations, financial conditions and the market price of shares of other companies engaging in similar business may affect the [REDACTED] and [REDACTED] of our shares. In addition, Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company, so it is also possible that our [REDACTED] may be subject to changes in price not directly related to our performance.

Sales or expected sales of large amounts of our [REDACTED] or other securities relating to our [REDACTED] in the [REDACTED] could adversely affect the market price of our [REDACTED].

Future sales or perceived sales by our Shareholders of our [REDACTED] after the [REDACTED] could result in a significant decrease in the prevailing market price of our [REDACTED]. Only a limited number of the [REDACTED] currently outstanding will be available for sale or issuance immediately after the [REDACTED] due to contractual and regulatory restrictions on disposal and new issuance. For further details, please refer to the section headed "Information about this document and the [REDACTED] — Restrictions on [REDACTED]" in this document for a more detailed discussion of the restrictions that may apply to future sales of our [REDACTED]. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our [REDACTED] in the [REDACTED] or the perception that these sales may occur could significantly decrease the prevailing [REDACTED] of our [REDACTED] and our ability to raise equity capital in the future.

[REDACTED] of our [REDACTED] in the [REDACTED] will experience immediate dilution and may experience further dilution if we [REDACTED] additional [REDACTED] in the future.

If we [REDACTED] additional [REDACTED] in the future, our H Share [REDACTED] in the [REDACTED] may experience further dilution in their ownership percentage. We may need to raise additional funds in the future for finance expansion 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].

We may need additional capital, and the sale or issue of additional [REDACTED] or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the [REDACTED] from the [REDACTED], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

There can be no assurance as to whether we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. We do not have a formal dividend policy or a fixed dividend distribution ratio. There is no assurance as to whether we will pay dividends in the future. Declaration and distribution of dividends shall be proposed and formulated by our Board at their discretion and will be subject to shareholders' approval. A decision to declare or pay any dividends and the amount of any dividends will depend on various factors, including but not limited to, our results of operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions, operating and capital expenditure requirements, distributable profits, future prospects and other important factors that our Board may determine. Accordingly, our dividend distribution, if any, is not indicative of any future dividend distribution policy and [REDACTED] should be aware that the amount of dividends paid, if any, should not be used as a reference or basis upon which future dividends are determined.

Certain statistics contained in this document are derived from a third-party report and publicly available official sources.

This document, particularly the section headed "Industry Overview" in this document, contains information and statistics, including but not limited to information and statistics relating to the PRC and construction industries. Such information and statistics have been derived from various official government sources, publicly available sources, and a third-party report prepared by Frost & Sullivan commissioned by us. We believe that the sources of such information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. You should read the entire prospectus carefully and we strongly advise you to not rely on any information contained in press articles or other media regarding us and the [REDACTED].

There may be coverage in the media regarding the [REDACTED] and our operations which are beyond our control. We do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, [REDACTED] should not rely on any of the information in press articles or other media coverage.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "potential", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would", or "will" and similar expressions. We have based these forward-looking statements largely on our expectations and projections about future events. You are strongly cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document are not a guarantee by us that our plans and objectives will be achieved. Forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

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. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our headquarters are based, and the business operations of our Company and our subsidiaries are primarily managed and conducted, in the PRC. Our executive Directors ordinarily reside in the PRC and they play important roles in our Company's business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

(i) our Company has appointed Mr. Li Kai and Mr. Lui Wing Yat Christopher as our authorized representatives (the "**Authorized Representatives**") pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

(ii) when the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes of the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

(iii) all Directors who do not ordinarily reside in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to meet with the Hong Kong Stock Exchange within a reasonable period of time;

(iv) our Company has appointed China Everbright Capital Limited as its compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules to act as an additional channel of communication with the Hong Kong Stock Exchange for a period commencing from the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED]. The Compliance Adviser will advise our Company on ongoing compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after [REDACTED] and have full access at all time to the Authorized Representatives and the Directors; and

(v) any meeting between the Hong Kong Stock Exchange and our Directors will be arranged through the Authorized Representatives or the Compliance Adviser or directly with our Directors within a reasonable time frame. Our Company will inform the Hong Kong Stock Exchange promptly in respect of any changes in the Authorized Representatives and the Compliance Adviser.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

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

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

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

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

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

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

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Li Kai ("**Mr. Li**") as one of our joint company secretaries on June 26, 2023. Mr. Li has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Mr. Lui Wing Yat Christopher ("**Mr. Lui**"), who is a Hong Kong resident and possesses the qualification and relevant experience as stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary of our Company. For more details of the biography of Mr. Li and Mr. Lui, see the section headed "Directors, Supervisors and Senior Management — Joint Company Secretaries" in this document.

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the proposed arrangements below:

(i) Mr. Lui, one of the joint company secretaries of our Company who satisfies the requirements under Rule 3.28 of the Listing Rules, will assist Mr. Li so as to enable him to discharge his duties and responsibilities as a joint company secretary of our Company. Given Mr. Lui's relevant experiences, Mr. Lui will be able to advise both Mr. Li and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(ii) our Company undertakes to re-apply to the Hong Kong Stock Exchange in the event that Mr. Lui ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary;

(iii) Mr. Lui will communicate with Mr. Li on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Mr. Lui will work closely with, and provide assistance to Mr. Li with a view to discharging his duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' general meetings;

(iv) pursuant to Rule 3.29 of the Listing Rules, Mr. Li and Mr. Lui will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Mr. Li and Mr. Lui will be advised by the legal advisers of our Company as to Hong Kong laws and the Compliance Adviser of the Company as and when appropriate and require;

(v) our Company will ensure that Mr. Li has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of a Hong Kong [REDACTED] company, and Mr. Li will endeavor to attend such training; and

(vi) our Company has appointed China Everbright Capital Limited as its Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Hong Kong Stock Exchange (for a period commencing on the [REDACTED] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the [REDACTED], or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to our Company and Mr. Li as to the compliance with the Listing Rules and all other applicable laws and regulations.

The waiver is valid for an initial period of three years commencing from the [REDACTED], and will be revoked immediately if Mr. Lui ceases to provide assistance and guidance to Mr. Li, or if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the initial three-year period, our Company will re-evaluate the qualifications and experiences of Mr. Li and liaise with the Hong Kong Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. Li, having had the benefit of Mr. Lui's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that a further waiver would not be necessary.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhao Kuanghua (趙匡華先生)	Room 4–1–3102, Banshan Renjia, Tanggu, Binhai New Area, Tianjin, PRC	Chinese
Mr. Li Kai (李凱先生)	No. 1201, Unit 1, Building 8, Qihang Jiayuan Store, CCB Jianrong Home, Binhai New Area, Tianjin, PRC	Chinese
Ms. Zhao Xiaorong (趙曉榮女士)	Room 103, Gate 4, Building 5, Yingnianli, Tanggu North Road, Binhai New Area, Tianjin, PRC	Chinese
Mr. Yang Youhua (楊友華先生)	Room 101, Unit 1, Building 19, Xiyuan Community, No. 8 Haibin Street, Binhai New Area, Tianjin, PRC	Chinese
Mr. Ni Baqun (倪拔群先生)	No. 9, Row 1, Area 4, Futouhoujie Village, Hexiwu, Wuqing District, Tianjin, PRC	Chinese

Name	Address	Nationality
Non-executive Director		
Mr. Wang Wenbin (王文彬先生)	Room 402, Gate 3, Building 6, Xintai Community, Gangxi Street, Dagang District, Tianjin, PRC	Chinese
Independent non-executive Directors		
Dr. Yan Bing (嚴兵博士)	No. 94, Weijin Road, Nankai District, Tianjin, PRC	Chinese
Mr. Yang Shitai (楊世泰先生)	No. 7, Dongyan Road, Tanggu District, Tianjin, PRC	Chinese
Mr. Shiu Shu Ming (蕭恕明先生)	House C11, Fortune Garden, 72 Ting Kok Road, Tai Po District, New Territories, Hong Kong	Chinese

SUPERVISORS

Name	Address	Nationality
Ms. Wang Ling (王玲女士)	Room 602, Gate 4, Building 6, Qingfengyuan, Tanggu North Road, Binhai New Area, Tianjin, PRC	Chinese
Mr. Hu Shixin (胡世新先生)	145 Dawuji Village, Datun Township, Nangong, Hebei Province, PRC	Chinese
Ms. Zhu Yiwei (朱藝偉女士)	No. 15, Row 1, Zhouwangli, Zhouzhuangzi Village, Hujiayuan Street, Binhai New Area, Tianjin, PRC	Chinese

For the biographies and further details regarding our Directors and Supervisors, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

PARTIES INVOLVED

Sole Sponsor	**China Everbright Capital Limited** 12/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

Legal advisers to our Company

as to Hong Kong law:
Tian Yuan Law Firm LLP
Suites 3304–3309, 33/F,
Jardine House, One Connaught Place,
Central,
Hong Kong

as to PRC law:
Jingtian & Gongcheng
34/F, Tower 3,
China Central Place,
77 Jianguo Road,
Beijing,
PRC

Legal advisers to the Sole Sponsor and [REDACTED]

as to Hong Kong law:
Eric Chow & Co. in Association with Commerce & Finance Law Offices
3401, Alexandra House,
18 Chater Road, Central,
Hong Kong

as to PRC law:
Commerce & Finance Law Offices
12–14/F, China World Office 2,
No. 1 Jianguomenwai Avenue,
Beijing,
PRC

Auditor and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504, Wheelock Square, 1717 Nanjing West Road, Shanghai, PRC
Independent property valuer	**King Kee Appraisal and Advisory Limited** Floor 21, Bus Building, No. 525, Jianguo East Road, Shanghai, PRC
Internal Control Consultant	**Moore Advisory Services Limited** 812 Silvercord, Tower 1, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong
Compliance adviser	**China Everbright Capital Limited** 12/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered address	Room 507, Building 13, Zone B1, Corporate Headquarters Base, Binhai-Zhongguancun Science Park (former Ronghui Business District 3), Tianjin Economic-Technological Development Area, Tianjin, PRC
Head office and principal place of business in the PRC	No. 112 Dongting Road, Economic and Technological Development Zone, Binhai New Area, Tianjin, PRC
Principal place of business in Hong Kong	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Company website	**http://www.tjcdg.com** *(The contents of the website do not form a part of this document)*
Joint company secretaries	**Mr. Li Kai (李凱)** No. 1201, Unit 1, Building 8, Qihang Jiayuan Store, CCB Jianrong Home, Binhai New Area, Tianjin, PRC **Mr. Lui Wing Yat Christopher (呂穎一)** *(ACG, HKACG)* 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong

CORPORATE INFORMATION

Authorized representatives	**Mr. Li Kai (李凱)** No. 1201, Unit 1, Building 8, Qihang Jiayuan Store, CCB Jianrong Home, Binhai New Area, Tianjin, PRC **Mr. Lui Wing Yat Christopher (呂穎一)** 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Board committees	**Audit committee** Mr. Shiu Shu Ming (蕭恕明) (*Chairperson*) Dr. Yan Bing (嚴兵) Mr. Yang Shitai (楊世泰) **Nomination committee** Mr. Wang Wenbin (王文彬) (*Chairperson*) Dr. Yan Bing (嚴兵) Mr. Yang Shitai (楊世泰) **Remuneration committee** Dr. Yan Bing (嚴兵) (*Chairperson*) Mr. Zhao Kuanghua (趙匡華) Mr. Yang Shitai (楊世泰)
[REDACTED]	[REDACTED]
Principal banks	**Agricultural Bank of China,** **Tianjin Hebei Road Branch** 14–101, Huarongli, Binhai, Tianjin, PRC **Tianjin Binhai Huimin Village Bank,** **Guotai Building Branch*** **(天津濱海惠民村鎮銀行國泰大廈支行)** Block C, Guotai Building, Tianjin Pilot Free Trade Zone, Tianjin, PRC

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the Frost & Sullivan Report. 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 this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of the [REDACTED], the [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.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned Frost & Sullivan to analyze and prepare a report regarding China's construction industry and China's municipal public construction industry during the period of 2018 to 2027. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York, offering industry research and market strategies and provides growth consulting and corporate training. We agreed to pay a commission fee of RMB960,000 to Frost & Sullivan pursuant to a service agreement reached by arm's length negotiation. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We have also referred to certain information in the "Summary", "Risk Factors", "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

In preparing for the report, Frost & Sullivan conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as National Bureau of Statistics of China and other industrial associations. The market projections in the Frost & Sullivan Report are based on the following key assumptions: (i) the overall social, economic, and political environment in China are expected to remain stable during the forecast period; (ii) China's economic and industrial development are likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the growth of construction industry and municipal public construction industry in China in the forecast period, such as sustained urbanization, stable market demand, well-developed regulating system and favorable policies from government, etc.; and (iv) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

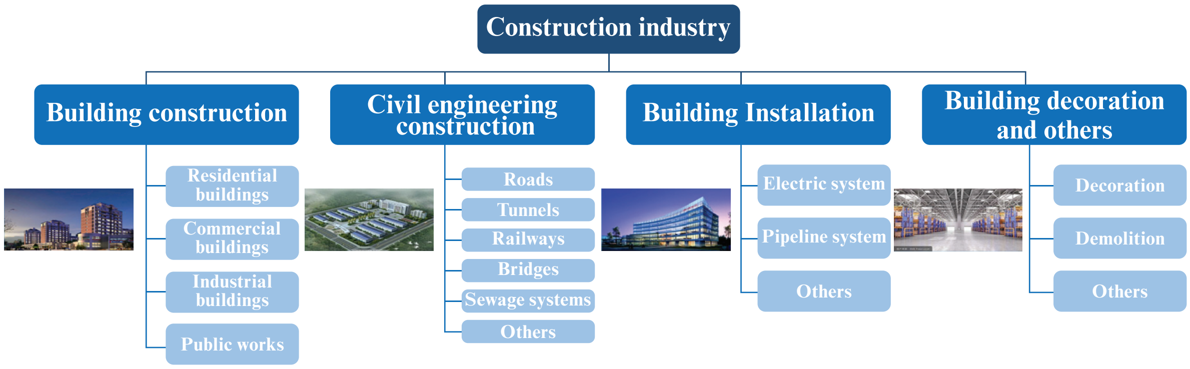
Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF CONSTRUCTION INDUSTRY IN THE PRC AND TIANJIN

Definition and Classification of Construction Industry in the PRC

The construction industry has long been one of the pillar industries in the PRC, it plays a significant role in the national development. The construction industry refers to the engineering entity formed through the construction of various types of buildings, structures and the installation of equipment, which mainly encompasses the part of design, building, decoration and management. 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.

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 consists of (i) building construction (房屋建築業); (ii) civil engineering construction (土木工程建築業); (iii) building installation (建築安裝業); and (iv) building decoration and others (建築裝飾、裝修和其他建築業).



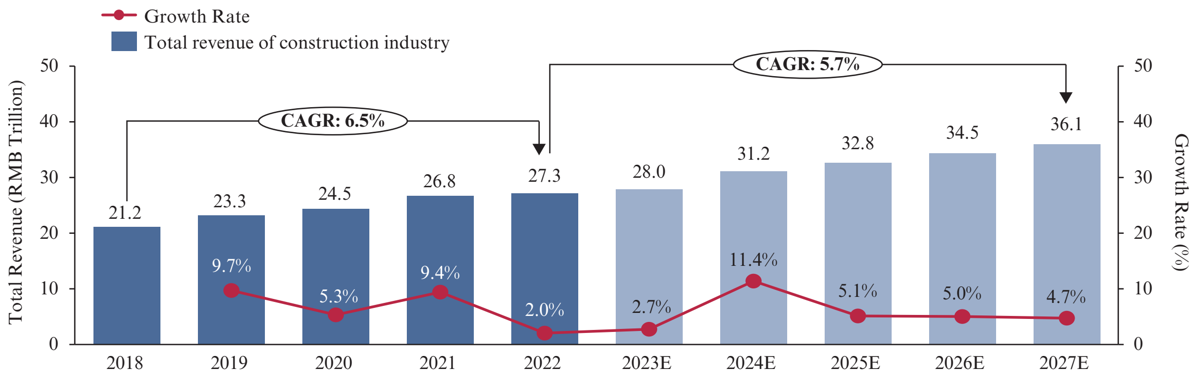
Source: National Bureau of Statistics, Frost & Sullivan

Market Size of Construction Industry in the PRC

The total revenue of the construction industry in the PRC increased from RMB21.2 trillion to RMB27.3 trillion from 2018 to 2022, representing a CAGR of 6.5%. Construction industry growth slowed down in 2020 due to construction delays arising from unanticipated disruptions caused by the COVID-19 outbreak. However, due to the effective control of COVID-19 by the PRC government, the total revenue of the construction industry has recovered in 2021.

In the future, the total revenue of the construction industry is expected to grow continuously, and is expected to reach RMB36.1 trillion in 2027, representing a CAGR of 5.7% from 2022 to 2027.

Total Revenue of Construction Industry (the PRC), 2018–2027E



Source: National Bureau of Statistics, Frost & Sullivan

Market Trends of Construction Industry in the PRC

Increased complexity and scale of construction projects and comprehensiveness of services. As construction projects become more complex and larger in scale with the increasing urbanization rate and the rapid development of the construction industry in the PRC, opportunities are created for construction companies and require higher standards of project management in terms of modeling, evaluation and control to achieve an overall balance of time, cost, quality and safety. In addition, construction companies have been more active in recent years to develop organic growth strategies or, through mergers and acquisitions, to transform themselves into integrated full-service construction companies to better capture the growing market.

Mechanization, robotization and automation of construction processes. With the development of the PRC economy and society, the labor force in the construction industry is increasingly scarce, resulting in the rising cost of labor. According to the nation's "14th Five-Year Construction Industry Development Plan" (《「十四五」建築業發展規劃》) issued by the Ministry of Housing and Urban-Rural Development in 2022, 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. Therefore, with the development of mechanization, robotization and automation of construction processes, the demand for labor force will be reduced and higher efficiency will be expected in the future.

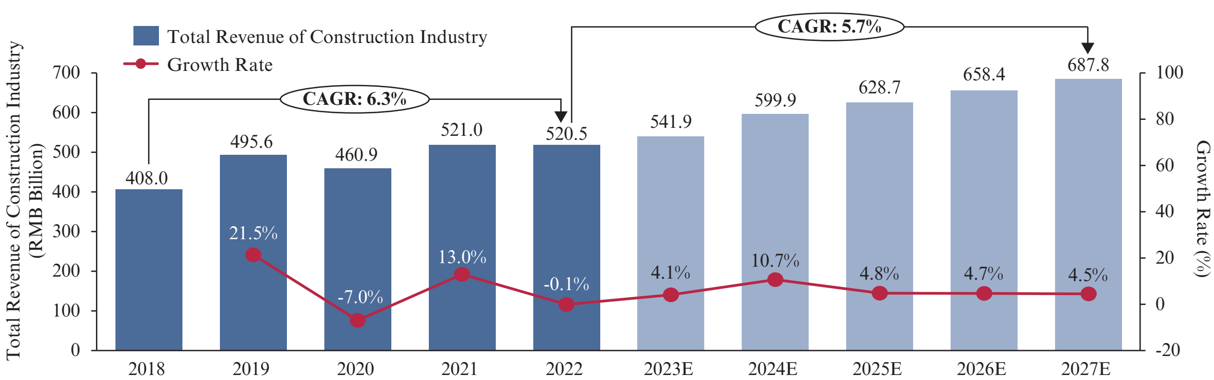
Adoption of green building technology. Green building has become increasingly important to the nation's strategy to transform and upgrade the construction industry. Green buildings are a starting point for carbon dioxide emission peaking and achieving carbon neutrality. Under "The Fourteenth Five-Year Plan for the National Economic and Social Development of the PRC and the Outline of Long-Term Goals for 2035 (Draft)" (《中國人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要(草案)》) raised in 2021, the PRC Government emphasizes the development of the green industry and many provincial governments have developed incentive policies to provide subsidies or tax benefits to real estate developers for their involvement 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 energy and related services, in the future.

Use of digital engineering measurement management software. The use of digital engineering measurement management software is considered a trend in the construction industry. This specialized tool enables construction professionals to effectively manage construction processes by providing various functions for accurate and efficient measurement, analysis, and documentation. By application of such software, construction projects can benefit from improved accuracy, reduced errors, and increased productivity. A key advantage of digital measurement software is its ability to provide real-time data, which contributes to enhanced construction safety and reduced accidents.

Market Size of Construction Industry in Tianjin

The total revenue of construction industry in Tianjin increased from RMB408.0 billion in 2018 to RMB520.5 billion in 2022, representing a CAGR of 6.3% from 2022. In the future, Tianjin is expected to continue to steadily promote the development of the construction industry, especially in areas such as prefabricated construction and green buildings. Tianjin municipal government provides support in various aspects, including financial and tax support, transportation guarantees, etc. As a result, the total revenue of construction industry in Tianjin is forecast to reach RMB687.8 billion in 2027, growing at a CAGR of 5.7% from 2022.

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



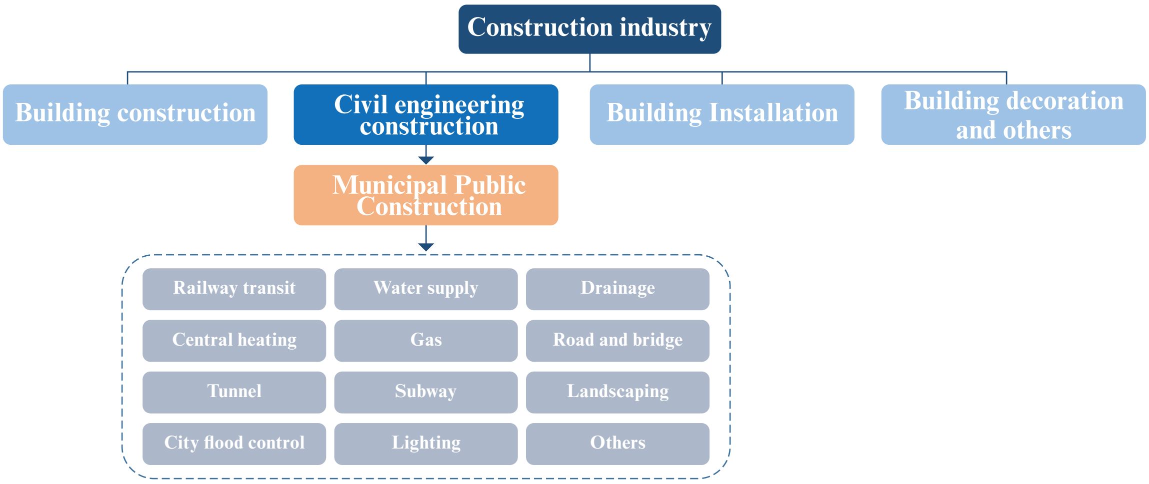
Source: National Bureau of Statistics, Frost & Sullivan

OVERVIEW OF MUNICIPAL PUBLIC CONSTRUCTION INDUSTRY IN THE PRC AND TIANJIN

Definition and Classification of Municipal Public Construction Industry

Municipal public construction refers to the infrastructure construction of public transportation facilities, water supply facilities, drainage, gas, city flood control, environmental sanitation, lighting, etc. Municipal public construction is an essential basis for urban development and the basic condition for improving people's living standards.

Municipal public construction mainly includes railway transit project, water supply project (including water plant), drainage project (including sewage disposal plant), central heating project (including central heating boiler station and heat exchange station), gas construction (including gas station), road and bridge construction, tunnel construction, subway construction, landscaping construction, city flood control construction, lighting construction, etc.



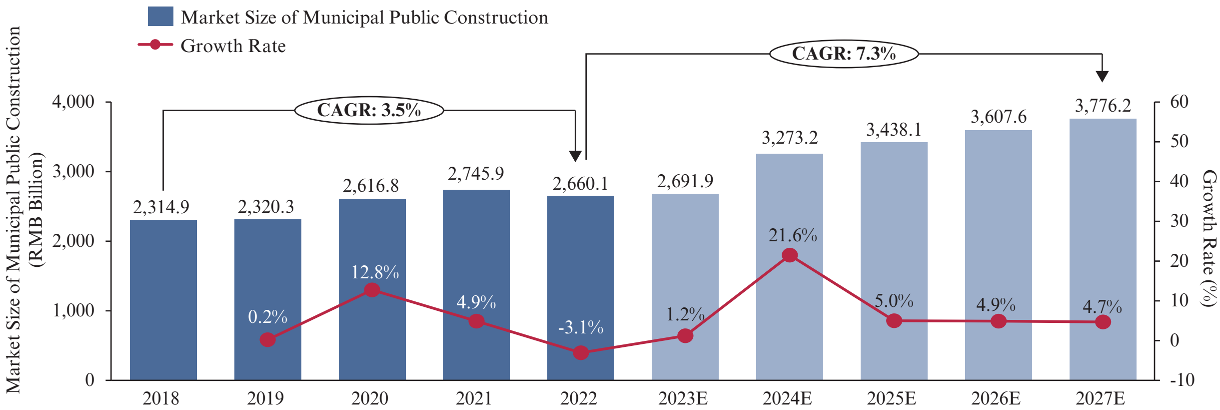
Source: National Bureau of Statistics, Frost & Sullivan

Market Size of Municipal Public Construction Industry in the PRC

The role of the construction industry as a pillar industry of the national economy has been continuously strengthened and has made great contributions to promoting economic growth in recent years. As a major part of the construction industry, the market size in terms of investment in fixed assets for municipal public construction in the PRC represents the total social investment in urban construction, and it grew rapidly from RMB2,314.9 billion in 2018 to RMB2,660.1 billion in 2022, representing a CAGR of 3.5%.

According to the "14th Five-Year Construction Industry Development Plan" (《「十四五」建築業發展規劃》) issued by the MOHURD in January 2022, the construction sector is expected to realize comprehensive industrialization, with great improvements to the quality of buildings and its business innovation capability by 2035. The government will promote the use of information technology in the construction sector by encouraging cooperation between construction companies, internet enterprises and research institutes. The 14th Five-Year period is an essential period to accelerate the transformation and development of the construction industry. The market size of the municipal public construction industry in the PRC is expected to rise from RMB2,660.1 billion in 2022 to RMB3,776.2 billion in 2027, representing a CAGR of 7.3%, supported by policy and the development of the construction industry.

Market Size of Municipal Public Construction Industry (the PRC), 2018–2027E



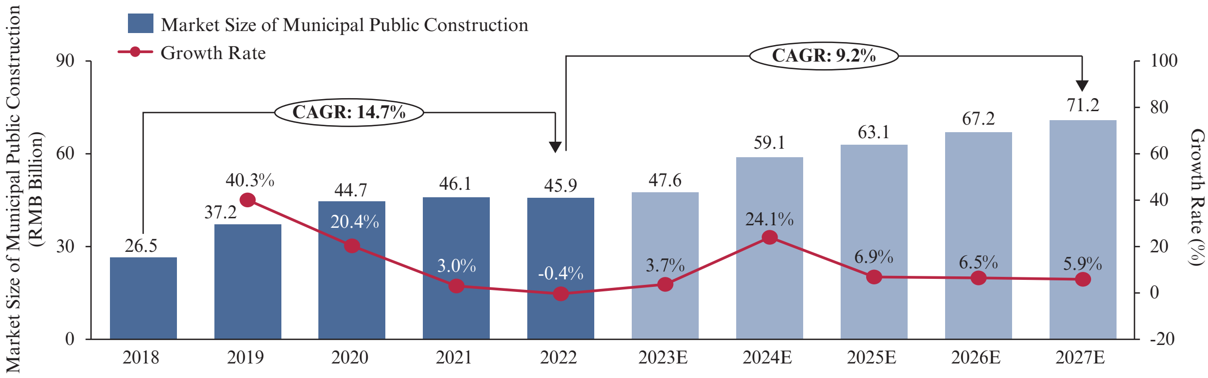
Source: National Bureau of Statistics, Frost & Sullivan

Market Size of Municipal Public Construction Industry in Tianjin

Over the past few years, Tianjin's municipal public construction has experienced rapid development, with the functions of the city becoming increasingly enhanced. Although the growth rate of Tianjin's municipal public construction market showed a temporary decline in 2020 and 2022, the proportion of Tianjin's investment in fixed assets for municipal public construction as a fraction of the total investment in fixed assets for municipal public construction in the PRC has increased from 1.1% in 2018 to 1.7% in 2022. Tianjin's municipal public construction market grew from RMB26.5 billion in 2018 to RMB45.9 billion in 2022, representing a CAGR of 14.7%.

In the future, according to the "Outline of the 14th Five-Year Plan (2021–2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China" (《國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), the Tianjin Municipal Government is actively implementing urban renewal actions and promoting high quality urban transformation to enhance the operational quality of municipal infrastructure. Efforts are being made to create green urban areas and to complete the renovation of old urban communities built before the end of 2000 by 2025. Additionally, Tianjin Municipal Government is advancing the development of the "Binhai New Area" (濱海新區) to accelerate the improvement of infrastructure and public services. As a city with well-established infrastructure and high environmental quality, Tianjin is expected to witness a rapid development from 2023 to 2027. The market size of municipal public construction in Tianjin is predicted to reach RMB71.2 billion in 2027, representing a CAGR of 9.2% from 2022 to 2027.

Market Size of Municipal Public Construction (Tianjin), 2018–2027E



Source: National Bureau of Statistics, Frost & Sullivan

Market Size of Construction Industry in Regions Outside Tianjin

The output value of the construction industry in Shaanxi Province maintained steady growth from 2018 to 2022, showing a CAGR of 9.0% from 2018 to 2022, and is expected to reach RMB1,376.2 billion in 2027, representing a CAGR of 6.5% from 2022 to 2027. The output value of the construction industry in Jiangxi Province witnessed a rapid increase from RMB699.3 billion in 2018 to RMB1,069.5 billion in 2022, representing a CAGR of 11.2% from 2018 to 2022, and is expected to reach RMB1,552.5 billion in 2027, showing a CAGR of 7.7% from 2022 to 2027. The output value of the construction industry in Guizhou Province increased from RMB333.0 billion in 2018 to RMB426.0 billion in 2022, showing a CAGR of 6.4% from 2018 to 2022, and is expected to reach RMB543.2 billion in 2027, representing a CAGR of 5.0% from 2022 to 2027.

The market size of municipal public construction in Shaanxi Province experienced a rapid increase from RMB56.9 billion in 2018 to RMB112.7 billion in 2022, representing a CAGR of 18.6% from 2018 to 2022, and is expected to further increase to RMB282.5 billion in 2027, showing a CAGR of 20.2% from 2022 to 2027. The market size of municipal public construction in Jiangxi Province and Guizhou Province showed a rapid growth from RMB98.2 billion and RMB59.0 billion in 2018 to RMB101.7 billion and RMB90.4 billion in 2022, showing CAGRs of 0.9% and 11.3% from 2018 to 2022, respectively, and is expected to reach RMB197.5 billion and RMB188.9 billion in 2027, representing a CAGRs of 14.2% and 15.9% from 2022 to 2027, respectively.

Market Drivers of Construction Industry in Regions Outside Tianjin

Sustained urbanization. According to the Statistical Bureau of each province, the urbanization rate in Xi'an, Nanchang and Guiyang reached approximately 79.6%, 78.9%, and 80.3% in 2022, respectively. The urbanization rate is expected to continue to grow, reaching approximately 85.5%, 88.7% and 81.4% by 2027. Continuous urbanization will drive the demand for residential, industrial and commercial building construction projects, public works, and civil engineering construction, thus stimulating the development of the construction industry in these three cities.

Growth in the economy and the infrastructure investments. The economies of Xi'an, Nanchang and Guiyang have all experienced rapid growth over the past few years. Specifically, the CAGR for nominal GDP and the output value of the construction industry in Xi'an from 2018 to 2022 reached 7.8% and 11.4%, respectively. The CAGR for nominal GDP and the output value of the construction industry in Nanchang from 2018 to 2022 reached 8.9% and 11.3%, respectively. The CAGR for nominal GDP and the output value of the construction industry in Guiyang from 2018 to 2022 reached 7.2% and 11.4%, respectively. As a capital-driven industry, the development of the construction industry is largely due to the continuous growth in fixed asset investment. The output value of construction industry in Xi'an, Nanchang and Guiyang reached RMB600.1 billion, RMB559.0 billion and RMB314.9 billion in 2022, showing growth rates of 11.0%, 9.5%, and 9.0% compared to 2021, respectively. The government of these cities have consistently maintained public spending on infrastructure development as a means of stimulating the macroeconomy and further improving the growth of the construction industry.

Favorable policies from government. In recent years, local government authorities have intensively introduced incentive policies to promote the development of the construction industry. According to the "24 Measures for Optimizing the Business Environment in the Construction Market in Xi'an" (《西安市優化建築市場營商環境二十四條措施》) published by the Xi'an Municipal Bureau of Housing and Urban-Rural Development in May 2023, the policy is primarily aimed at promoting the high-quality development of the construction industry in Xi'an, supporting business transformation and upgrading, focusing on continuous improvement of the construction market environment. Also, according to the "Notice on Measures to Promote the High-Quality Development of the Construction Industry in Nanchang" (《關於推進南昌市建築業高品質發展的若干措施的通知》) published by The People's Government of Nanchang in February 2023, efforts will be made to enhance the competitiveness of construction enterprises in Nanchang and promote the high-quality development of the construction industry, and to fully leverage the driving role of the construction industry in the economic and social development of the city — specific measures include supporting construction enterprises to enter the infrastructure construction sector and actively promoting the engineering project general contracting model, etc. According to the "Notice on Several Measures to Promote the High-Quality Development of the Construction Industry in Guiyang" (《貴陽市促進建築業高品質發展若干措施的通知》) published by The People's Government of Guiyang in August 2023, efforts will be made to support enterprises to grow larger, encourage social investment projects to prioritize the selection of construction industry enterprises with strong social responsibility when choosing implementation companies to play a guiding and exemplary role for projects, continuously optimize the approval and management system for construction projects, and deepen the reform of the approval system for construction projects. All these favorable policies are one of the main drivers for the development of the construction industry.

COMPETITIVE LANDSCAPE OF MUNICIPAL PUBLIC CONSTRUCTION INDUSTRY IN TIANJIN

There were 2,547 construction enterprises in Tianjin in 2022, and the Company accounted for a market share of 0.1% in the overall construction market in terms of construction revenue in Tianjin in 2022.

The municipal public construction industry is highly fragmented in Tianjin. In 2022, the top five and top 10 municipal private construction companies accounted for an aggregate market share of 3.0% and 4.0% respectively in terms of municipal public construction revenue among all municipal public construction companies in Tianjin.

In 2022, the Company ranked 4th among private municipal public construction companies in terms of municipal public construction revenue in Tianjin, representing a market share of approximately 0.2%.

Top Ten Private Municipal Public Construction Companies Headquartered in Tianjin, 2022

Ranking	Private municipal public construction company	Revenue of municipal public construction	Market share
		(RMB million)	*(%)*
1	Company A	762.9	1.7%
2	Company B	253.6	0.6%
3	Company C	138.2	0.3%
4	**The Company**	**86.5**	**0.2%**
5	Company D	84.0	0.2%
6	Company E	82.9	0.2%
7	Company F	80.0	0.2%
8	Company G	75.4	0.2%
9	Company H	73.3	0.2%
10	Company I	69.7	0.2%
	Top five	**1,325.2**	**3.0%**
	Top ten	**1,706.5**	**4.0%**
	Total	**45,900.0**	**100.0%**

Notes:

1. The Company's data is provided by the Company.

2. Company A is a private municipal public construction company founded in 1986 and headquartered in Tianjin, with a registered capital of RMB70.3 million. It is principally engaged in municipal public construction, building decoration and petrochemical engineering projects.

3. Company B is a private municipal public construction company founded in 2011 and headquartered in Tianjin, with a registered capital of RMB50.0 million. It is principally engaged in municipal public construction, earthworks and landscaping projects.

4. Company C is a private municipal public construction company founded in 2009 and headquartered in Tianjin, with a registered capital of RMB110.0 million. It is principally engaged in municipal public construction, building construction and building interior decoration projects.

5. Company D is a private municipal public construction company founded in 2013 and headquartered in Tianjin, with a registered capital of RMB58.0 million. It is principally engaged in municipal public construction, building construction projects and landscaping projects.

6. Company E is a private municipal construction company founded in 2007 and headquartered in Tianjin, with a registered capital of RMB110.0 million. It is principally engaged in municipal construction, including landscape construction, road and bridge construction etc.

7. Company F is a private municipal construction company founded in 2010 and headquartered in Tianjin, with a registered capital of RMB51.7 million. It is primarily engaged in municipal construction, building installation construction, earthwork and foundation construction.

8. Company G is a private municipal construction company founded in 2017 and headquartered in Tianjin, with a registered capital of RMB100.0 million. It is primarily engaged in municipal construction, specialized equipment installation projects etc.

9. Company H is a private municipal construction company founded in 1997 and headquartered in Tianjin, with a registered capital of RMB150.0 million. It is primarily engaged in municipal construction, mechanical and electrical installation projects, environmental protection projects etc.

10. Company I is a private municipal construction company founded in 2015 and headquartered in Tianjin, with a registered capital of RMB50.0 million. It principally engaged in municipal construction and building construction.

Source: Frost & Sullivan

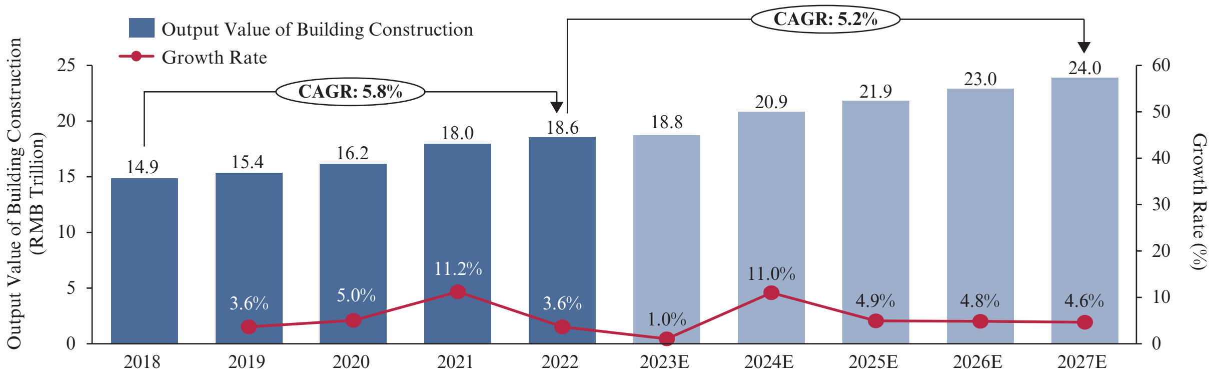
OVERVIEW OF THE BUILDING CONSTRUCTION INDUSTRY IN THE PRC AND TIANJIN

Market Size of the Building Construction Industry in the PRC

Urbanization development drives the demand for building construction projects. Over the past years, the output value of building construction in the PRC increased from RMB14.9 trillion in 2018 to RMB18.6 trillion in 2022, showing a CAGR of 5.8% from 2018. With the increasingly widespread application of information technology in construction and the use of new building materials, housing safety and quality are steadily improving. Moreover, according to the 2022 conference of Ministry of Housing and Urban-Rural Development, in 2023, there will be a focus on increasing the supply of affordable rental housing, advancing the renovation of shantytown areas, and accelerating the resolution of housing difficulties for new urban residents, and other groups.

Therefore, the output value of building construction in the PRC is expected to increase at a CAGR of 5.2% from 2022 and is predicted to reach RMB24.0 trillion by the end of 2027.

Output Value of Building Construction (the PRC), 2018–2027E



Source: National Bureau of Statistics, Frost & Sullivan

Market Size of the Building Construction Industry in Tianjin

Building construction accounted for the second largest portion of market share in the Tianjin construction industry in terms of output value. The output value of building construction in Tianjin increased from RMB124.3 billion in 2018 to RMB153.7 billion in 2022, showing a CAGR of 5.5% from 2018 to 2022. In 2022, the output value of building construction accounted for 32.4% of the total output value of the Tianjin construction industry. With the support of policies such as the establishment of a free trade pilot zone, the construction of a national independent innovation demonstration zone, and the opening of the Binhai New Area, the Tianjin construction industry is expected to further develop in the future.

In line with the growth of the construction industry, the output value of the Tianjin building construction industry is forecasted to reach RMB201.5 billion in 2027, representing a CAGR of 5.6% from 2022 to 2027. The output value of building construction is expected to account for approximately 32.9% of the total output value of the construction industry by the end of 2027.

ENTRY BARRIERS OF CONSTRUCTION INDUSTRY

Capital Barrier. The construction industry requires substantial capital, including payment of significant deposits, guarantees, net assets and sufficient cash flow. It is an important barrier for new entrants as it is essential for meeting the qualification requirement and the project's smooth operation. Generally, the capital capability of a tenderer is an important selection criterion in public tendering. It is difficult for new entrants without sufficient capital and cash flow to undertake construction projects.

Professional and Technical Barrier. The industry demands specialized knowledge and skills in various areas such as civil engineering, structural engineering, mechanical engineering, and water supply and drainage systems, requiring contractors to possess significant experience and practical capabilities to address technical challenges and complex projects, creating high professional and technical barriers. In order to maximize the capability of construction companies to undertake different types of construction works; construction companies are required to possess various kinds of expertise and qualifications.

Good Reputation and Track Record. Brand reputation and track records play an important role in the success of contractors operating in the construction industry because their proven track record and reputation are considered an explicit endorsement of their construction quality and contractual capacity, which is attractive to their customers. Furthermore, with the ongoing reforms in the credit management system of the construction industry, the significance of reputation and proven track record is expected to grow further. Established construction companies with a good reputation have an advantage in acquiring projects and attracting customers, making it challenging for new entrants to compete in the market.

Qualification Barrier. Construction contractors are required to hold relevant licenses or qualifications to demonstrate they possess the professional skills to undertake the relevant types of construction works. Main contractors are required to obtain the required qualifications which are approved by the MOHURD and local government authorities in order to undertake construction works in the PRC. Also, they are required to attain certain credit standing to ensure their ability to fulfill their contractual obligations.

Challenges of the Construction Industry

- ***Increasing of raw materials and labor cost:*** Rising costs is one of the challenges facing the construction industry. Increasing raw material costs are influenced by various factors such as fluctuations in global commodity prices, supply and demand, and changes in government regulations and policies. In addition, rising labor costs also pose challenges to the construction industry. Skilled workers are in high demand, leading to steady wage increases. As a result, employers must provide more competitive salaries to attract skilled workers, posing a challenge for construction companies.

- ***Labor shortage:*** The shortage of skilled labor further exacerbates the challenge, as the search for qualified workers becomes more difficult and competitive. Due to long construction cycles and complex working conditions, many young people prefer jobs in other industries, resulting in a shortage of young workers in the construction workforce. Moreover, as fertility rates have declined, the demographic dividend is gradually diminishing. For labor-intensive construction industries, the labor shortage further exacerbates the aging of the construction industry. Labor shortages affect project completion efficiency and quality, and can also lead to higher construction costs. Therefore, labor shortage is one of the challenges to the development of the construction industry.

- ***Technology upgrade:*** The development of green buildings imposes high requirements on the entire construction process, such as R&D, design, construction, and operation and maintenance. For example, the development of green buildings is one of the future trends in the construction industry, and achieving green building goal requires advanced industrial manufacturing technology, production techniques, etc. However, the technologies of most companies are still relatively outdated, making it a challenge for the construction industry to enhance the necessary technological transformation in the future.

COMPETITIVE LANDSCAPE OF PRIVATE CONSTRUCTION COMPANY WITH SELF-DEVELOPMENT CONSTRUCTION PROJECT MANAGEMENT SOFTWARE IN TIANJIN

As of the Latest Practicable Date, the Company is the only private construction company in Tianjin to apply self-developed construction project management software for construction projects.

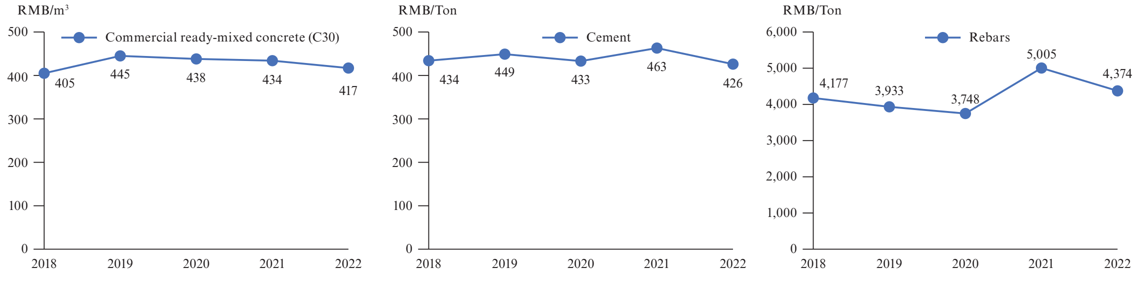
Digital engineering measurement management (數字化工程計量管理) is an essential aspect of the construction markets. It enables businesses to efficiently manage project costs, schedules, and quality.

Construction companies can enhance their competitive advantage through digital engineering measurement management software to streamline processes, optimize resource allocation, improve project coordination, and achieve greater efficiency and accuracy in engineering measurement management through effective use of the software, as this software offers various functions such as quantity take-offs, cost analysis, contract management, schedule control, and quality inspections.

Empowered by digital engineering measurement management software, construction companies deliver projects more efficiently to build higher customer trust and maintain a leading position in the industry.

HISTORICAL PRICE TREND OF CONSTRUCTION COSTS

Historical Price Trend of Major Raw Materials in the PRC (Commercial ready-mixed concrete, Cement, Rebars), 2018–2022



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 illustrative purpose.

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

Source: National Bureau of Statistics, National Development and Reform Commission, Frost & Sullivan

Commercial ready-mixed concrete, cement, and rebars are three major raw materials in the construction industry.

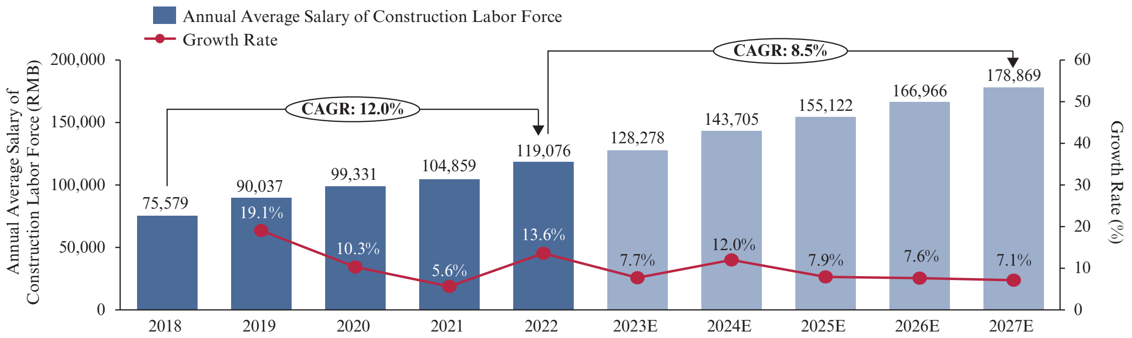
The price of raw materials experienced a temporary decline in 2020 and gradually recovered in 2021 which was mainly attributable to (i) a cyclical decline in the first quarter, which is a traditional off-season during a year; (ii) the outbreak of COVID-19 which led to the decrease in the supply; and (iii) the strict control of the PRC Government which facilitated the work resumption and the demand recovery of the construction industry. The prices of raw materials decreased in 2022 mainly due to the decrease in the overall number of new construction projects, leading to a sluggish real estate market. The downturn in the real estate industry led to a decrease in the demand for raw materials such as commercial ready-mixed concrete, cement, and rebars. As a result, the price of raw materials showed a declining trend in 2022. Due to the excess raw material production capacity, the prices of commercial ready-mixed concrete, cement, and rebars were showing a downward trend in 2023.

The price of commercial ready-mixed concrete showed a relatively stable trend from 2018 to 2022. The price increased from RMB405 per m^3 in 2018 to RMB417 per m^3 in 2022, representing a CAGR of 0.7% from 2018 to 2022. In 2023, the price of commercial ready-mixed concrete further decreased to RMB366 per m^3.

The prices of cement and rebars showed a similar trend from 2020 to 2022. The prices of cement and rebars increased from RMB433 per ton and RMB3,748 per ton in 2020 to RMB463 per ton and RMB5,005 per ton in 2021, respectively. In September 2021, due to the sustained increase in the price of global commodities and the implementation of Measures to Improve the Dual Control System on Energy Intensity and Total Consumption (《完善能源消費強度和總量雙控制度方案》) issued by the NDRC, various cities implemented measures to restrict power consumption and production, leading to a significant decline in output and a situation of supply shortage and high demand. As a result, the price of raw materials showed a surge in prices in 2021. In 2022, the price of cement and rebars decreased to RMB426 per ton and RMB4,374 per ton, representing a CAGR of –0.5% and 1.2% from 2018, respectively. In 2023, the price of cement further decreased to RMB348 per tonne.

The major raw material price trends are expected to remain relatively stable over the forecast period. Specific price forecasts prices for major raw materials are not available due to variables and uncertainties in the construction industry.

Annual Average Salary of Construction Labor Force (Tianjin), 2018–2027E



Source: National Bureau of Statistics, Frost & Sullivan

The annual average salary of employed persons in construction industry in Tianjin showed a rapid increase from 2018 to 2022, representing a CAGR of 12.0%.

The steady development of the construction industry continues to provide new employment opportunities for the society. Moreover, due to the modernization level of the construction supply chain continues to improve, with increasing integration and application capabilities of information technologies such as Building Information Modeling (BIM), big data, intelligent systems, digital engineering measurement management software, cloud computing, and the Internet of Things (IoT). As a result, construction industry enterprises need to offer higher salaries to attract talented employees. In the future, the annual average salary of employed persons in construction industry in Tianjin is predicted to increase at a CAGR of 8.5%, rising from RMB119,076 in 2022 to RMB178,869 in 2027.

This section summarizes the most significant laws, regulations, and rules that affect and govern our current major business activities and operation in the PRC.

LAWS AND REGULATIONS RELATING TO CONSTRUCTION

Construction 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 November 1, 1997 which came into effect on March 1, 1998 and last amended on April 23, 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》) (the "**Construction Qualifications Provision**") promulgated by the Ministry of Construction (which has been abolished, the "**MOC**") on October 6, 1995 which came into effect on October 15, 1995 and was last amended by the MOHURD on December 22, 2018, the Notice on Issuance of Qualification Standards of Construction Enterprises (《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 November 6, 2014, implemented on January 1, 2015 and last amended on October 14, 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 January 31, 2015 which came into effect on March 1, 2015 and was last amended on January 16, 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. Qualifications for construction enterprises are categorized into three groups, namely, general construction contracting, professional subcontracting and labor subcontracting. The general construction contracting qualification has 12 categories and is generally divided into four classes, namely, the premium class, the first class, the second class and the third class. The professional subcontracting qualification has 36 categories and is generally divided into three classes, namely, the first class, the second class and the third class. Labor subcontracting is regardless of category and 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 class of qualification mentioned above.

Construction enterprises shall obtain qualifications and may undertake construction works in accordance with the scope of their qualification. Main contracting enterprises for construction works may undertake all aspects of the construction works themselves, or subcontract non-essential construction works, namely, construction works other than the construction of the main structure of the construction program to subcontracting enterprises. Such enterprises may also hire labor subcontracting agents to carry out the labor services.

Specific requirements in relation to standards for these categories and grades have been made in the Qualification Standards of Construction Enterprises. Requirements in relation to assets, key staff, project performance, and/or technologies and equipment of the applicant shall be fulfilled in order to apply for certain qualification category and grade. Enterprises with different qualification grades undertake works with different scopes in terms of scale and complexity in accordance with the Qualification Standards of Construction Enterprises.

For example, only first grade petrochemical engineering construction qualification holders are allowed to take part in all categories of petrochemical engineering construction projects, including "large scale petrochemical engineering projects", "medium scale petrochemical engineering projects" and other petrochemical engineering projects. Meanwhile, second grade qualification holders can only take on projects other than "large scale petrochemical engineering projects", and third grade holders can only take on projects that are neither "large scale petrochemical engineering projects" nor "medium scale petrochemical engineering projects". As provided under the Qualification Standards of Construction Enterprises,

- "large scale petrochemical engineering projects" refer to projects such as (1) construction projects for the main body and supporting facilities of oil (gas) fields with an annual production capacity of over 300,000 tons; (2) gas processing projects with a capacity of over 500,000 cubic meters per day; and (3) pipeline transportation projects and supporting construction projects for crude oil, refined oil with an annual capacity of over 3 million tons, and gas transmission of over 8 billion cubic meters per year.

- "medium scale petrochemical engineering projects" refer to projects such as (1) construction projects for the main body and supporting facilities of oil (gas) fields with an annual production capacity of over 100,000 tons; (2) gas processing projects with a capacity of over 200,000 cubic meters per day; and (3) pipeline transportation projects and supporting construction projects for crude oil, refined oil with an annual capacity of over 1 million tons, and gas transmission of over 2 billion cubic meters per year.

Similarly, first grade qualifications in foundation construction allows the holders to take part in all kinds of foundation construction without limitation, while holders of second grade qualifications in foundation construction will only be allowed to take part in projects with limitation, for example building height lower than 100 meters, and there are more restrictions on third grade qualification holders, so on.

According to the Notice on Issues Concerning Adjusting the Evaluation of Net Assets for Recognition of Qualification of Construction Enterprises (《關於調整建築業企業資質標準中淨資產指標考核有關問題的通知》) promulgated by the MOHURD on November 9, 2015, the net assets shall be evaluated on the basis of the figures as indicated in the legal financial statement for the preceding year prior to application for qualification recognition or for the current accounting period.

Pursuant to the Administrative Measures for the Subcontracting of Housing and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程施工分包管理辦法》) issued by the MOC on February 3, 2004 and last amended by the MOHURD and effective on March 13, 2019, professional construction work should be subcontracted to subcontracting enterprises with relevant qualifications, and labor services should be subcontracted to labor subcontracting agents with relevant qualifications. Enterprises holding subcontracting qualifications may undertake projects subcontracted from a general construction contractor in compliance with relevant regulations, and should undertake the subcontracting project itself. Furthermore, according to the Notice on Issuance of the Construction Enterprise Qualification Management Regulations and the Implementation of Quality Standards, if the construction enterprise needs to continue to use qualification certificates after they expire, an application for renewal shall be made three months before the expiration.

According to the Construction Law and the Administrative Regulations on Construction Project Quality (《建設工程質量管理條例》) promulgated by the State Council on January 30, 2000 and last amended on April 23, 2019, a construction contractor is prohibited from allowing any other entity or individual to undertake any project on its behalf or in the use of their quality certificates.

Pursuant to the Notice on Administrative Measures of the Determination, Investigation and Handling of Breaches of the Laws on Contract-issuing and Contracting in connection with Construction Works (《建築工程施工發包與承包違法行為認定查處管理辦法的通知》) (the "**Notice**") promulgated by the MOHURD on January 3, 2019, "qualification affiliation (掛靠)" refers to the situation when an entity or individual undertake a construction contract in the name of any other qualified construction entity. The Notice further sets out the following circumstances shall be considered as qualification affiliation: (i) where an unqualified entity or individual contracts a project by borrowing the qualification of any other construction entity; (ii) where qualified construction entities undertake projects by the mutual borrowing of each other's qualifications, including the borrowing of the qualification of construction entities with higher qualification grades by those with lower ones, the borrowing of the qualification of construction entities with lower qualification grades by those with higher ones, and the mutual borrowing of the qualification of construction entities with the same qualification grades; or (iii) where there is evidence that can support that the contract transfer involved qualification affiliation.

Pursuant to the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) (the "**Bidding Law**") promulgated by the SCNPC on August 30, 1999 and amended on December 27, 2017, the Construction Law and the Administrative Regulations on Construction Project Quality, construction entities or individuals who are identified having conducted the act of qualification affiliation may be imposed punishment by relevant administrative authorities, including rectifying the non-compliance, confiscation of illegal income, fines, being restricted from bidding new construction projects, or being ordered to suspend its business for rectification and reducing its qualification level. If the non-compliance is serious, the qualifications held by such construction entities or individuals may be revoked.

Quality Control of Construction Projects

Pursuant to the Administrative Regulations on Construction Project Quality, the construction project owner, survey firms, designers, construction enterprises and project supervisory enterprises shall be responsible for the quality of their construction works. For construction projects under a general contract, the main contractor shall be responsible for the quality of the whole project. Whereas if the main 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 main contractor and subcontractor shall be jointly and severally responsible for the quality of the subcontracted works. Quality warranty system shall be adopted for construction works projects. If any quality problem occurs, which falls within the scope of quality warranty and the warranty period, the construction entity shall perform the warranty obligation and be liable for the compensation of losses therefrom.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated and implemented by the MOHURD on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of a building construction and municipal infrastructure project, the construction enterprises shall submit a report on the completion of the project to the owner of the project and apply for construction completion acceptance examination. The owner of this project shall organize construction completion acceptance examination conducted by competent institutions, and within 15 days from the date on which the acceptance examination of the project is passed, the owner of the project shall conduct filing with the competent construction department of government at or above county level at the place where the project is located.

Construction Works Commencement Permit

According to the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》) promulgated by the MOC on December 15, 1999 and last amended by the MOHURD on March 30, 2021, for construction and decoration works in respect of various housing construction and auxiliary facilities thereof, installation of circuits, pipelines and equipment, as well as construction of infrastructural works for cities and towns, the construction enterprise shall apply for construction permits from the competent department in accordance with the regulations of the Administrative Measures for urban-rural development of housing of the local people's government at or above county level where the construction is located prior to the commencement of works.

It is not necessary to apply for construction permits for construction works of investment amount less than RMB0.3 million or which the gross floor area is less than 300 sq.m. The administrative authority in charge of housing and urban-rural development of the people's government of a province, autonomous region or municipality directly under the Central Government may, in accordance with the specific circumstances prevailing in their respective regions, readjust these limits and notify the department under the State Council responsible for construction for its records. For any construction project for which the construction commencement report has been approved in accordance with the authority and procedures requirements as specified by the State Council, the construction enterprise concerned shall not be required to apply for a construction permit.

Construction Project Pricing

The Pricing Management Approach of Contracting of Construction Projects (《建築工程施工發包與承包計價管理辦法》), issued by the MOC on November 5, 2001, amended by the MOHURD on December 11, 2013 and effective on February 1, 2014 and the Interim Measures for Settling Construction Price (《建設工程價款結算暫行辦法》), issued by the Ministry of Finance (the "**MOF**") and the MOC on October 20, 2004, set forth the construction cost, pricing, valuation methods, the time of payment and dispute resolution methods of the construction projects.

Administration of Tender and Bid

According to the Bidding Law, a tender is required for the following construction projects: (i) large scale infrastructure, public utilities and other projects that relate to general public interests and public security; (ii) projects that are financed in whole or in part by state-owned funds or financed by the State; and (iii) projects that are financed by loans or financial aids from international organizations and 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 March 27, 2018 and effective on June 1, 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 MOC on June 1, 2001 and last amended by the MOHURD on March 13, 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 State Development Planning Commission and certain other departments on March 8, 2003 and amended by the NDRC and certain other departments on March 11, 2013 and the Regulations on the Implementation of the Bidding Law 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 December 20, 2011 and last amended on March 2, 2019 specify the requirements and procedures for bidding.

LAWS AND REGULATIONS RELATING TO CONSTRUCTION SAFETY

Safety of Construction Projects

The Work Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Work Safety Law**") which was issued on June 29, 2002, last amended on June 10, 2021 and came into effective on September 1, 2021, provides that a production and operation 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 conditions for work safety shall not engage in production and business operation activities. A production and operation enterprise must present prominent warning signs at relevant dangerous operation sites, facilities and equipment.

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》) which was issued on November 24, 2003 and came into effect on February 1, 2004, in the case of a project under a general contract, the main contractor will be liable for the general work safety of the construction site. If the main contractor legally subcontracts the construction project to other entities, the subcontract shall specify their rights and obligations in respect of the work safety and the main contractor and the subcontractors shall be jointly and severally liable for the work safety of the subcontracting projects. In the case of a construction work covered by a general contract, the accidental injury insurance premium shall be paid by the main contractor. The period covered by the insurance policies should commence on the start date of the construction project and terminate on the date of the inspection and acceptance upon the completion of the project.

Work Safety Licenses

Pursuant to the Work Safety Law, 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 January 13, 2004 and last amended on July 29, 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 July 5, 2004, implemented on the same date and further amended by the MOHURD on January 22, 2015, construction enterprises shall be subject to the work safety license system implemented by the PRC government and apply for a work safety license (《安全生產許可證》). The work safety license shall be valid for three years. A construction enterprise should apply for renewing the license three months before its expiration. 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 license. Without work safety licenses, 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 fails to obtain a work safety license, it shall not be issued a construction license.

Accident Prevention

To ensure construction safety and prevent accidents, the Provisions on the Falling Substance Accident Prevention of the Construction Projects (《建築工程預防高處墜落事故若干規定》) promulgated by the MOC on April 17, 2003 sets out strict rules on staff and equipment requirements for height operation under a strict liability regime. Pursuant to the Provisions on Collapse Prevention of Construction Projects (《建築工程預防坍塌事故若干規定》) promulgated by the MOC on April 17, 2003, in order to prevent accidents and ensure construction safety, the enterprise engaged in engineering construction, reconstruction, expansion and other activities is required to formulate the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment.

Safety Training and Labor Protection

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) (the "**Labor Law**"), issued by the SCNPC on July 5, 1994 and last amended and effective on December 29, 2018, an employer must establish a sound labor safety and hygiene system and shall strictly implement state rules and standards of labor safety and hygiene, conduct labor safety and hygiene education among its employees to prevent accidents and reduce occupational hazards. An employee must strictly observe operational safety procedures.

Pursuant to the Interim Measures of Construction Workers Using Personal Protective Equipment (《建築施工人員個人勞動保護用品使用管理暫行規定》), issued by the MOC and effective on November 5, 2007, all construction workers must receive regular safety training and construction enterprises should have records of education and training. In addition, the use and management of safety equipment in the construction site and the personal safety equipment for construction workers are also strictly regulated.

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 April 9, 2007 and effective on June 1, 2007, work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorized 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.

LAWS AND 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 December 26, 1989 and last amended on April 24, 2014 by the SCNPC, the Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated on May 11, 1984 and last amended on June 27, 2017 by the SCNPC, the Law on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) promulgated on September 5, 1987 and last amended on October 26, 2018 by the SCNPC, the Law on the Prevention and Control of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》) promulgated on October 30, 1995 and last amended on April 29, 2020 by the SCNPC, and the Law on the Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》) promulgated by the SCNPC on December 24, 2021, the construction of any project that causes pollution shall adopt measures to prevent and control pollution and damage to environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gasses, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated during construction. Failure to comply with the above laws could result in various penalties depending on individual circumstances and the extent of contamination. Such penalties may include warnings, fines, orders to stop production or even close down in certain serious circumstances.

LAWS AND REGULATIONS ON VALUE-ADDED TELECOMMUNICATION SERVICES

Licenses for Value-Added Telecommunications Services

On September 25, 2000, the State Council issued the Regulations on Telecommunications of PRC (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), which was lately amended on February 6, 2016. The Telecommunications Regulations divide the telecommunications services into two categories, namely "infrastructure telecommunications services" and "value-added telecommunications services." Pursuant to the Telecommunications Regulations, operators of value-added telecommunications services must first obtain a Value-added Telecommunications Business Operating License (《增值電信業務經營許可證》) (the "**VAT License**"), from the Ministry of Industry and Information Technology (the "**MIIT**"), or its provincial level counterparts. The MIIT promulgated the Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》) on March 1, 2009 and most recently amended it on July 3, 2017, for the purpose of setting forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

Foreign Investment in Value-Added Telecommunication Services

The Regulations on Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), which took effect on January 1, 2002 and was last amended on March 29, 2022 and effective on May 1, 2022, are the key regulations that regulate foreign direct investment in telecommunications companies in China. According to the latest amendments to the FITE Regulations, unless otherwise provided for by the state, the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in a foreign-invested enterprise that provides value-added telecommunications services.

On July 13, 2006, the Ministry of Information Industry (which has been abolished, the "**MII**") issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services (《關於加強外商投資經營增值電信業務管理的通知》) (the "**MII Circular 2006**"), which requires that (i) foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license; (ii) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (iii) value-added telecommunications services providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (iv) each value-added telecommunications services provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (v) all value-added telecommunications services providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety.

The MIIT issued the Circular on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business (《關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》) on June 19, 2015, which amended the relevant provision in FITE Regulations by allowing foreign investors to own more than 50% of the equity interest in an operator of the EDI services (e-commerce business). However, foreign investors continue to be prohibited from holding more than 50% of the equity interest in a provider of other category of value-added telecommunications services such as ICP services.

The Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**2021 Negative List**") was jointly promulgated by the NDRC and the MOFCOM on December 27, 2021 and took effect on January 1, 2022. According to the 2021 Negative List, the proportion of foreign investments in an entity engaging in value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

LAWS AND REGULATIONS RELATING TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

Mobile Internet applications, or the APPs, are specifically regulated by the Provisions on the Administration of Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the "**APP Provisions**"), which was promulgated by the Cyberspace Administration of China (the "**CAC**") on June 28, 2016 and amended on June 14, 2022, and the latest amendment of which took effect from August 1, 2022. According to the APP Provisions, relevant qualifications required by laws and regulations shall be acquired for providing app information services and the engagement in app distribution services such as Internet app stores. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively.

APP providers shall fulfill their responsibilities of information security management, and perform the following duties, including, but not limited to: (i) in accordance with the principles of "real name at background, any name at foreground", verify identities with the registered users through mobile phone numbers, identity document numbers or unified social credit codes; (ii) establish and improve the mechanism for regulating personal information processing and user information security protection, following the principle of "legality, legitimate, necessity and good faith" in processing personal information, with clear and reasonable purposes; (iii) establish a sound information content review and management mechanism, and establish and improve management measures for user registration, account management, information review, routine inspections, and emergency response, with professionals and technical capabilities commensurate with their service scale; (iv) adhere to the principle of being most beneficial to minors, and strictly implement the requirements for the registration and login of minors' user accounts with real identity information in accordance with the law; (v) not induce users to download apps by means of false advertisement, bundled downloads, or other acts, or via mechanical or manual comment control, or by using illegal and harmful information; (vi) perform the obligation of ensuring data security, establish a sound whole-process data security management system, take technical measures and other security measures to ensure data security, strengthen risk monitoring, and shall not endanger national security or public interests, or damage the legitimate rights and interests of others.

COMPANY LAW AND LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Companies established and operating in the PRC shall be subject to Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**"), which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 respectively, and was latest revised on December 29, 2023 and will come into effect on July 1, 2024. The Company Law provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in the PRC. Unless otherwise provided in the PRC foreign investment laws, the provisions in the Company Law shall prevail. The Company Law stipulates that a limited company shall prepare a shareholders' register, which shall record the following matters: (1) The name and address of each shareholder; (2) The capital contribution made by each shareholder; and (3) The serial number of each capital contribution certificate. The shareholders recorded in the shareholders' register may, pursuant to the shareholders' register, claim and exercise shareholders' rights. A company shall register each shareholder's name and its capital contribution at the company registration authority. The company shall carry out the amendment of the registration in the event of any change in the registered details. Any registration detail that fails to be amended or registered shall not be valid against any third-party.

On March 15, 2019, the National People's Congress (the "**NPC**") approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "**FIL**"), which came into effect on January 1, 2020 and replaced three existing laws on foreign investments in the PRC, namely, the PRC Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the PRC Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》). On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》). The FIL embodies a predictable PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the PRC's corporate legal requirements for both foreign and domestic invested enterprises. The FIL establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

On December 30, 2019, the Ministry of Commerce of the People's Republic of China (the "**MOFCOM**") and the State Administration for Market Regulation issued the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which became effective on January 1, 2020. According to the Measures on Reporting of Foreign Investment Information, foreign investors or foreign investment enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. Foreign investment enterprises shall also submit the annual report for the preceding year during January 1, to June 30, annually through the National Enterprise Credit Information Publicity System.

The Catalogue of Industries for Encouraged Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraging Catalogue**") was jointly promulgated by the NDRC and the MOFCOM on October 26, 2022. And it came into effect on January 1, 2023. The Encouraging Catalogue and the 2021 Negative List categorizes the industries into three categories, including "encouraged", "restricted", and "prohibited" (all industries that are not listed under one of "encouraged", "restricted" or "prohibited" categories are deemed to be "permitted"). The Encouraging Catalogue and the 2021 Negative List is subject to review and update by the Chinese government from time to time.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTIONS

Pursuant to the FIL, foreign investors, according to the present PRC Law, may freely remit into or out of the PRC, in RMB or any other foreign currency, their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on within the territory of PRC. In addition, pursuant to the Company Law, a company established in PRC must set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until its cumulative total reserve funds reach 50% of its registered capital. These reserve funds, however, may not be distributed as cash dividends.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax ("EIT")

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**") (promulgated on March 16, 2007 and effective from January 1, 2008 and newly amended on December 29, 2018) and the Regulation on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (promulgated on December 6, 2007 and effective from January 1, 2008, and revised on April 23, 2019), enterprises are classified as either "resident enterprises" or "non-resident enterprises". The "resident enterprises" are defined as enterprises set up in the PRC under the PRC laws or set up according to the foreign country/region's law whereas whose actual or de facto control is administered from within the PRC. Enterprises established under the foreign country/region's law with "de facto management bodies" outside the PRC, but have set up institutions or establishments in the PRC or, without institutions or establishments set up in the PRC, have income originating from the PRC, shall be considered as "non-resident enterprises". A resident enterprise shall pay EIT on its income originating from both inside and outside the PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from the PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has an actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its passive income derived from the PRC at a reduced rate EIT of 10%.

The Administrative Measures for Determination of High-tech Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science and Technology, the MOF and the State Administration of Taxation (the "**SAT**") on April 14, 2008 and effective on January 1, 2008 and revised on January 29, 2016 and the EIT Law set out the sort of enterprises that are capable of enjoying tax reduction. Pursuant to the Circular of the State Administration of Taxation on the Issues Concerning Implementation of the Preferential Income Tax Policy for New High-Tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》) issued on June 19, 2017, the enterprise income tax rate of new high-tech enterprises requiring national major support should be reduced to 15%. The new high-tech areas with national major support, the administrative measures for the accreditation of new high-tech enterprises and the enterprise income tax law provide for the business types entitled to tax reduction.

Value-added Tax ("VAT")

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (the "**VAT Regulations**") (promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, newly amended on November 19, 2017), and The Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》) (promulgated by the MOF and was last amended on October 28, 2011 and came into effect on November 1, 2011), organizations and individuals engaging in the sale of goods or processing, repair and assembly services, the sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of VAT, and shall pay VAT pursuant to these Regulations. The amount of VAT payable is calculated as "output VAT" minus "input VAT". Pursuant to the VAT Regulations, the rate of VAT is 17% for those engaging in the sale of goods or labor services or tangible personal property leasing services or importation of goods except as otherwise provided by the VAT Regulations. The tax rate of VAT is 11% for the sales of the service of transportation, posting, basic telecommunications, construction and leasing real estate, the sale of real estate and the transfer of land use right, or sell or import the goods listed in the VAT Regulations.

On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《關於調整增值稅稅率的通知》), or Circular 32, according to which for VAT taxable sales acts or importation of goods originally subject to value-added tax rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively. Circular 32 became effective on May 1, 2018 and shall supersede existing provisions inconsistent with Circular 32. On March 20, 2019, MOF, SAT and General Administration of Customs ("**GAC**") jointly promulgated the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Circular 39, according to which for general VAT payers' sales activities or imports that are subject to VAT at a current applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9%, respectively. This Announcement came into force on April 1, 2019.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Under the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulations**") (promulgated by the State Council on January 29, 1996, newly amended on August 5, 2008), Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the competent authorities for the administration of foreign exchange is obtained. In accordance with the Foreign Exchange Administrative Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the State Administration of Foreign Exchange (the "**SAFE**") for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and service-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by the SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

According to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (Hui Fa [2015] No.13) (《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》) (匯發[2015]13號) (the "**Circular 13**"), which was promulgated by the SAFE on February 13, 2015 and came into effect on June 1, 2015, and was amended on December 30, 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13. The SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

According to the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**") (promulgated by SAFE on March 30, 2015, and effective on June 1, 2015 and partially repealed on December 30, 2019), the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement (the "**Discretional Foreign Exchange Settlement**"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account. If a foreign-invested enterprise needs to make a further payment from such assigned accounts, it still needs to provide supporting documents and go through the banks' review process.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》), or "the Circular 16" (Hui fa [2016] No.16) (promulgated by SAFE on June 9, 2016, which became effective simultaneously) and as amended on December 4, 2023, enterprises registered in the PRC (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. The Circular 16 provides an integrated standard for converting foreign exchange under capital account items (including but not limited to foreign exchange capital and foreign debts) on a discretionary basis which applies to all enterprises registered in the PRC. The Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, and such converted Renminbi shall not be provided as loans to its non-affiliated entities, except where it is expressly permitted in the business license.

In accordance with the Circular on Further Promoting Cross-border Trade and Investment Facilitation (Hui Fa [2019] No. 28) (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (匯發[2019]28號), which was issued and came into effect on October 23, 2019 by the SAFE and was amended on December 4, 2023, foreign-invested enterprise engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to laws and regulations under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are true and compliant.

According to the Circular of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-Border Trade and Investment (Hui Fa [2023] No. 28) (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (匯發[2023]28號), which was issued and came into effect on December 4, 2023 by the SAFE, the equity transfer consideration paid in foreign currency by domestic entities owe to domestic equity transferors (including institutions and individuals), as well as the foreign exchange funds raised by domestic enterprises listed overseas, can be remitted to the capital project settlement account directly. The funds in the capital project settlement account can be independently settled and utilized.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL WELFARE

Labor Protection

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (promulgated by the SCNPC on July 5, 1994, effective as of January 1, 1995, and as amended on August 27, 2009 and December 29, 2018), enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by State rules and standards on workplace safety, educate employee in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with national standards. The enterprises and institutions shall provide employees with workplace safety and sanitation conditions, which comply with State stipulations and relevant labor protection articles.

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on June 29, 2007 and came into effect on January 1, 2008, and was amended on December 28, 2012 and came into effect on July 1, 2013, and the Regulation on the Implementation of the Labor Contract Law of the PRC (No. 535 Order of the State Council) (《中華人民共和國勞動合同法實施條例》), which was promulgated and came into effect on September 18, 2008, labor contracts must be concluded in written form. Upon reaching an agreement after due negotiation, an employer and an employee may conclude a fixed-term labor contract, a non-fixed-term labor contract, or a labor contract that concludes upon the completion of certain work assignments. Upon reaching an agreement after due negotiation with employees or under other circumstances in line with legal conditions, an employer may terminate a labor contract and dismiss its employees in accordance with the PRC laws. Labor contracts concluded before the issuance of Labor Law and existing during its effective term shall continue to be acknowledged.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended in December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) implemented on January 22, 1999 and amended on March 24, 2019 and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated on October 28, 2010 and amended on December 29, 2018, enterprises are obliged to provide their employees in mainland China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit. Employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

In accordance with the Regulations on the Administration of Housing Provident Fund of the PRC (《住房公積金管理條例》) (promulgated by the State Council on April 3, 1999 and was amended on March 24, 2002 and March 24, 2019), enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner. In violation of the provisions of Administration of Housing Provident Fund, if an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit have not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Copyright

China is a signatory to some major international conventions on the protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001. Furthermore, China has enacted various laws and regulations relating to the protection of copyright. The Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**") was promulgated on September 7, 1990 and newly revised on November 11, 2020 and became effective from June 1, 2021. The Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) (the "**Copyright Implementation**") was promulgated on August 2, 2002, revised on January 30, 2013. Under the Copyright Law, works of citizens, legal persons or unincorporated organizations of China, whether published or not, shall enjoy copyright. The natural person, legal person or unincorporated organization named on a work as its author shall be the author of the work and have the corresponding rights to the said work, unless proven to the contrary. Authors and other copyright owners may complete the registration of their works with a registration agency recognized by the State copyright authority.

The Regulations on the Protection of Computer Software (《計算機軟件保護條例》) (promulgated by the State Council on June 4, 1991, and most recently amended on January 30, 2013 and taking into effect on March 1, 2013) and the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) issued by the State Copyright Bureau on April 6, 1992 (amended on February 20, 2002) both apply to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of the PRC shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Centre of China (the "**CPCC**"), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Computer Software Copyright Registration Procedures and the Computer Software Protection Regulations (Revised in 2013).

Patent

According to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and effective on April 1, 1985 and newly revised on October 17, 2020, and the Implementing Regulations of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》) promulgated by China Patent Office (which has been abolished) on January 19, 1985 and effective on April 1, 1985 and newly revised by the State Council on December 11, 2023, the patent administration department under the State Council is responsible for the patent work throughout the country. It receives and examines patent applications and grants patent rights for inventions-creations in accordance with law. The patent administration departments of the people's governments of provinces, autonomous regions and municipalities directly under the central government are responsible for the administration of patents within their respective administrative regions. An invention or utility model for which a patent is granted shall be novel, inventive and practically applicable. Any design for which patent right may be granted shall not be an existing design, nor has any entity or individual filed before the date of filing with the patent administration department under the State Council an application relating to the identical design disclosed in patent documents announced after the date of filing. The protection period is 20 years for an invention patent 10 years for a utility model patent and 15 years for design patent, commencing from their respective application dates. Any entity or individual that uses a patent of another party shall enter into a licensing contract with the patent owner and pay patent royalties to the patent owner. Any use of a patent without the permission of the patent owner constitutes an infringement of the patent right.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (promulgated by the SCNPC on August 23, 1982, came into effect on March 1, 1983 and revised on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019) and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》) (promulgated by the State Council on August 3, 2002 and effective on September 15, 2002 and revised on April 29, 2014). The trademark bureaus under the General Administration for Industry and Commerce are responsible for trademark registration and authorizing registered trademarks for a validity period of 10 years. Trademark registrants may apply for renewal of registration, and the validity of a renewed registered trademark is the following 10 years. Trademark registrants may, by signing a trademark license contract, authorize others to use their registered trademark. The trademark license contract shall be submitted to the trademark office for filing. For trademarks, trademark law adopts the principle of "prior application" while handling trademark registration. Where a trademark under registration application is identical with or similar to the trademark of another party that has, in respect of the same or similar goods or services, been registered or, after examination, preliminarily approved, the application for trademark registration shall be rejected. Anyone who applies for trademark registration shall not impair any existing prior right of anyone else, or forestall others in registering a trademark which others have already begun to use and which has "some influence".

Domain names

The MIIT promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (the "**Domain Name Measures**") on August 24, 2017 and forced on November 1, 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a "first come, first file" principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) promulgated by the MIIT on November 27, 2017 and effective on January 1, 2018 provides for the obligations of internet information service providers and other entities to fight terrorism and maintain network security.

REGULATIONS RELATING TO OVERSEAS OFFERING AND LISTING

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and relevant five guidelines, which came into force on March 31, 2023.

According to the Trial Measures, (i) PRC domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and submit relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) domestic companies that seek to offer or list securities overseas directly means that PRC companies limited by shares offer or list securities in overseas securities markets; and (iii) any PRC company limited by shares are required to file with the CSRC within three business days after its application for overseas listing is submitted. Failure to complete the filing under the Trial Measures may subject a PRC domestic company to rectification ordered by the CSRC, warning, and fine of RMB1 million to RMB10 million.

Besides, PRC domestic companies seeking to overseas offering and listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, State-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. The Trial Measures also provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by specific PRC laws and regulations; (ii) that constitute threat to or endanger national security; (iii) the PRC domestic company, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic company is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that controlled by the controlling shareholder(s) and/or the actual controller.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Companies (《關於境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**"), which came into force on March 31, 2023. According to the Provision on Confidentiality, where any PRC domestic company provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic companies providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuing to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic companies shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

OVERVIEW

Our history can be traced back to November 2010 when Mr. Wang, leveraging his work experience, industry knowledge and resources, decided to capture potential opportunities in the construction industry brought by the establishment of Tianjin Binhai New Area as an administrative area formed in 2009 in Tianjin, the PRC. Our Company was established as a limited liability company in the PRC on November 4, 2010 under the name of Tianjin Binhai New Area Shanshengyuan Municipal Engineering Co., Ltd.* (天津市濱海新區山盛源市政工程有限公司) and was founded by Mr. Wang. For details of Mr. Wang's background and experience, please refer to the section headed "Directors, Supervisors and Senior Management" in this document. At the time of its establishment, the registered capital of our Company was RMB10,000,000, which was wholly-owned by Mr. Wang and was then primarily engaged in municipal public construction. According to the Frost & Sullivan Report, among the 2,547 and 3,351 construction enterprises in Tianjin in 2022 and 2023, respectively, there were only three and four construction companies which possessed qualifications in both petrochemical engineering works and highway construction works at the same time, respectively, out of which we were the only construction company which is a private company. In addition to qualifications in petrochemical engineering works and highway construction works, we also possessed qualifications in municipal public construction works and building construction, enabling us to participate in a wider range of projects compared to construction companies possessing fewer qualification. As of the Latest Practicable Date, we possessed 25 qualifications related to our construction business, which included two first-grade construction qualifications: (i) first-grade qualification in petrochemical engineering construction general contracting* (石油化工工程施工總承包壹級資質); and (ii) first-grade qualification in foundation construction professional contracting* (地基基礎工程專業承包一級資質). For details, please refer to the section headed "Business — Licenses, Qualifications and Permits" in this document.

In preparation for the [REDACTED], our Group underwent a series of corporate reorganization. Pursuant to the promoters' agreement entered into between Shengyuan Holding, Tianjin Zhiweilai and Tianjin Gongmeihao on June 2, 2023 and upon approval by the Shareholders at the shareholders' general meeting held on June 5, 2023, our Company was converted into a joint stock company on June 6, 2023. As of the Latest Practicable Date, Shengyuan Holding, Tianjin Zhiweilai, Tianjin Gongmeihao and Zhuhai Zhongqing held 68.5%, 19.5%, 9.3% and 2.7% of the issued share capital in our Company, respectively. For further details, please refer to the paragraph headed "Reorganization" in this section.

As of the Latest Practicable Date, our Company held 100% equity interests in each of Tianjin Zhongjianke, Yujiacheng and Tianjin Binhai, all established in the PRC. For further details of our subsidiaries, please refer to the paragraph headed "Our Subsidiaries" in this section.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestones
2010	Our Company was established in November.
2013	Our Company undertook the construction project of Jing San Road (Phase III) in the Tianjin Lingang Industrial Zone* (天津臨港產業區經三路(三期)), tapping into the municipal public construction industry in Tianjin.
2018	Our Company registered its first construction project management software and utility model patent.
2019	Our Company was recognized as a High and New Technology Enterprise* (高新技術企業) by the Tianjin Municipal Science and Technology Bureau (天津市科學技術局), the Tianjin Municipal Finance Bureau (天津市財政局) and Tianjin Municipal Tax Service, State Taxation Administration (國家税務總局天津市税務局).
	Our self-developed Jiexiao System debuted and was first applied to our construction projects.
2020	Our Company was recognized as Leading Enterprise in the Strategic Emerging Industries in Tianjin* (天津市戰略性新興產業領軍企業) by the Tianjin Binhai New Area Talent Office* (天津市濱海新區人才辦) and Tianjin Gazelle Enterprise* (天津市瞪羚企業) by the Tianjin Municipal Science and Technology Bureau* (天津市科學技術局).
2022	Our Company entered into an investment cooperation agreement with the Tianjin Economic and Technological Development Area Administrative Committee* (天津經濟技術開發區管理委員會), pursuant to which the Tianjin Economic and Technological Development Area Administrative Committee* conditionally agreed to provide us with support in various areas, including operation, technological innovation, subsidies for talents, taxation and marketing.
	Our Company was recognized as a Tianjin Municipal Specialized, Sophisticated, Unique and Innovative Small and Medium-sized Enterprise* (天津市「專精特新」中小企業) by the Tianjin Industrial and Information Technology Bureau (天津市工業和信息化局) and the Tianjin Finance Bureau (天津市財政局) and Leading Nurturing Technological Enterprise in Tianjin* (天津市科技領軍培育企業) by the Tianjin Municipal Science and Technology Bureau* (天津市科學技術局).

OUR GROUP COMPANIES

Our Company

The Establishment in 2010

On November 4, 2010, our Company was established in the PRC as a limited liability company with an initial registered capital of RMB10,000,000. At the time of its establishment, our Company was wholly-owned by Mr. Wang. The then principal business of our Company was the implementation of construction projects as subcontractors, cooperating with state-owned enterprises.

Changes in the Registered Capital of our Company

On February 25, 2014, the registered capital of our Company was increased to RMB77,000,000, the amount of the increase in registered capital was fully settled on the same date, and our Company remained wholly-owned by Mr. Wang.

On February 15, 2017, the registered capital of our Company was further increased to RMB78,000,000 as Ms. Dou agreed to subscribe for an increased registered capital of RMB1,000,000 of our Company, with the capital contribution to be fully settled on or before December 31, 2029. Upon completion of the aforesaid subscription, our Company was owned as to 98.7% by Mr. Wang and 1.3% by Ms. Dou, respectively.

Transfer of Equity Interest with Jiangshengyuan and Tianjin Yicheng

In 2017, Mr. Wang considered integrating the businesses of our Company and Jiangshengyuan Construction Co. Ltd.* (江盛源建設有限公司) ("**Jiangshengyuan**"), a company established in the PRC which was then mainly involved in earthwork foundation works, as he intended to combine the resources and efforts of the two companies to achieve greater business scale and size. Against such background, on October 12, 2017, Mr. Wang entered into a joint venture cooperation agreement* (合資合作協議書) with Mr. Fu Jinpeng and Ms. Fu Jinjie, both being the cousins of Mr. Wang and the then ultimate beneficial owners of Jiangshengyuan, pursuant to which, among other things, Mr. Wang and Ms. Dou agreed to transfer all of their equity interest in our Company to Jiangshengyuan and, as consideration, the then shareholders of Jiangshengyuan, namely, Mr. Fu Jinpeng and Ms. Fu Jinjie, agreed to transfer 40% of the equity interests in Jiangshengyuan to Mr. Wang and Ms. Dou after completion of the transfer of equity interest in our Company to Jiangshengyuan. According to Mr. Wang and Ms. Dou, the parties in determining the ratios of the equity interest to be transferred under the transactions have taken into account the subject companies' then paid-up capital, conditions of net asset value (such as working capital and fixed assets), business prospects and the final ratios were the result of commercial discussion. On November 14, 2017, Mr. Wang and Ms. Dou respectively entered into an equity transfer agreement with Jiangshengyuan, whereby Mr. Wang and Ms. Dou transferred their respective equity interests in our Company to Jiangshengyuan. Upon completion of such transfer, Mr. Wang and Ms. Dou ceased to hold any equity interest in our Company and our Company became a wholly-owned subsidiary of Jiangshengyuan.

The business integration plan fell through as the parties subsequently failed to reach agreement on the management and development direction of the integrated company. On April 4, 2018, Jiangshengyuan transferred all of their equity interest in our Company back to Mr. Wang and Ms. Dou. Upon completion of the transfer on April 4, 2018, our Company was owned as to 98.7% by Mr. Wang and 1.3% by Ms. Dou, respectively, back to the shareholding position and structure prior to the intended business integration with Jiangshengyuan.

The equity interests of Mr. Wang and Ms. Dou in our Company were transferred to Jiangshengyuan before the parties agreed on the management and development direction of the integrated company because the transfer of equity interest by Mr. Wang and Ms. Dou was stipulated in the joint venture cooperation agreement, thus, Mr. Wang and Ms. Dou merely acted to comply with the terms of the agreement. As confirmed by Mr. Wang and Ms. Dou, they believed that the then proposed integration would complete as planned and trusted Jiangshengyuan given that ultimate beneficial owners of Jiangshengyuan were cousins of Mr. Wang.

Under the then proposed integration between our Company and Jiangshengyuan, after the transfer of equity interests of Mr. Wang and Ms. Dou in our Company, representing 100% equity interests in our Company, Mr. Fu Jinpeng and Ms. Fu Jinjie were to subsequently transfer 40% equity interest in Jianshengyuan to Mr. Wang and Ms. Dou as consideration. Correspondingly, the transfer of such 40% equity interest did not happen as the business integration fell through. As the same equity interests in our Company were eventually transferred back to Mr. Wang and Ms. Dou and the relevant transfer of equity interests in Jiangshengyuan never occurred, as confirmed by Mr. Wang and Ms. Dou, there was no gain or loss on their part.

With the continuing aim to enlarge the business scale of our Company, Mr. Wang held discussions with Tianjin Yicheng Chemical Construction Engineering Co. Ltd.* (天津貽成化工建設工程有限公司) ("**Tianjin Yicheng**"), a limited liability company established in the PRC, an Independent Third Party, which resulted in Mr. Wang and Ms. Dou entering into a joint venture agreement* (合資協議書) with Tianjin Yicheng on June 22, 2018, whereby Mr. Wang and Ms. Dou would transfer their respective equity interest in our Company to Tianjin Yicheng, while Tianjin Yicheng, as consideration, would procure its shareholders to transfer 30% equity interest in Tianjin Yicheng to Mr. Wang and Ms. Dou. According to Mr. Wang and Ms. Dou, the parties in determining the ratios of the equity interest to be transferred under the proposed transaction have taken into account the subject companies' then paid up capital, conditions of net asset value (such as working capital and fixed assets), business prospects and the final ratios were the result of commercial discussion. Mr. Wang saw potential in combining the two companies as Tianjin Yicheng had experiences in municipal public construction, and saw its potential in bringing business opportunities from state-owned enterprises and local government to our Group, as Tianjin Yicheng was owned as to 10% by Tianjin Bohai Chemical Company Limited* (天津渤海化工集團有限責任公司), a state-owned petrochemical company in Tianjin, which was majority-owned by Tianjin State Owned Investment Operation Company Limited* (天津國有資本投資營運有限公司), an investment vehicle of the Tianjin municipal government. On June 26, 2018, Mr. Wang and Ms. Dou respectively entered into an equity transfer agreement with Tianjin Yicheng to transfer their respective equity interests in our Company to Tianjin Yicheng. After such transfers, our Company was owned as to 100% by Tianjin Yicheng.

The cooperation plan between our Company and Tianjin Yicheng fell through as Tianjin Yicheng's shareholders failed to reach agreement to effect their respective transfer of Tianjin Yicheng's equity interests to Mr. Wang and Ms. Dou, respectively. Thus, on October 19, 2018, Tianjin Yicheng transferred all of its equity interest in our Company back to Mr. Wang and Ms. Dou. Upon the completion of the transfer on October 19, 2018, our Company was owned as to 98.7% by Mr. Wang and 1.3% by Ms. Dou, respectively, back to the shareholding position and structure prior to the intended business cooperation with Tianjin Yicheng.

The equity interest of Mr. Wang and Ms. Dou in our Company were transferred to Tianjin Yicheng before the shareholders of Tianjin Yicheng effected their respective transfer of equity interests in Tianjin Yicheng to Mr. Wang and Ms. Dou because the transfer of equity interest by Mr. Wang and Ms. Dou was stipulated in the joint venture agreement, thus, Mr. Wang and Ms. Dou merely acted to comply with the terms of the agreement. As confirmed by Mr. Wang and Ms. Dou, they had high regard for and trusted Tianjin Yicheng given its aforesaid state-owned shareholder status.

Under the then proposed cooperation plan between our Company and Tianjin Yicheng, after the transfer of equity interest of Mr. Wang and Ms. Dou in the Company, representing 100% equity interests in our Company, Tianjin Yicheng's shareholders were to subsequently transfer 30% equity interest in Tianjin Yicheng to Mr. Wang and Ms. Dou as consideration. Correspondingly, the transfer of such equity interests in Tianjin Yicheng eventually did not happen as the cooperation plan fell through. As the same equity interests in our Company were eventually transferred back to Mr. Wang and Ms. Dou and the transfer of relevant equity interests in Tianjin Yicheng never occurred, as confirmed by Mr. Wang and Ms. Dou, there was no gain or loss on their part.

Capital Changes from 2020 to 2022

On June 17, 2020, the registered capital of our Company was increased to RMB166,770,000 as Mr. Wang and Ms. Dou agreed to subscribe for the additional registered capital of RMB87,633,744 and RMB1,136,256 in our Company, respectively, on a pro rata basis with reference to their respective equity interests in our Company. The capital contributions from Mr. Wang and Ms. Dou were to be fully settled on or before November 1, 2030.

On September 19, 2022, in view of the fact that a part of the registered capital of our Company had yet to be paid-up, a resolution by the Shareholders was passed to reduce the registered capital of our Company from RMB166,770,000 to RMB77,998,400. The reduced registered capital was part of the registered capital of our Company that was unpaid. Mr. Wang's capital contribution was fully settled by February 25, 2014 and Ms. Dou's capital contribution was fully settled on October 20, 2021. Upon completion of such capital reduction on September 23, 2022, Mr. Wang held 98.7% of the equity interest in our

Company, corresponding to the registered capital of RMB77,000,000 and Ms. Dou held 1.3% of the equity interest in our Company, corresponding to the registered capital of RMB998,400.

Immediately prior to the Reorganization, the registered capital of our Company was RMB77,998,400 and was owned as to 98.7% by Mr. Wang and 1.3% by Ms. Dou, respectively.

For details of the steps of Reorganization, please refer to the paragraph headed "— Reorganization" in this section.

Capital Increase in July 2023

On July 19, 2023, the [REDACTED], Zhuhai Zhongqing, entered into an investment agreement with our Company and the then equity holders of our Company, pursuant to which our Company increased its registered capital from RMB150,000,000 to RMB154,347,826 and Zhuhai Zhongqing subscribed for the additional registered capital of RMB4,347,826 of the Company, representing approximately 2.8% of the equity interest in our Company at a consideration of RMB10,000,000. Upon the completion of the [REDACTED], our Company was owned as to 68.0% by Shengyuan Holding, 19.5% by Tianjin Zhiweilai, 9.7% by Tianjin Gongmeihao and 2.8% by Zhuhai Zhongqing, respectively. For details of the [REDACTED], please refer to the paragraph headed "— [REDACTED]" in this section.

Capital Increase in December 2023

On December 1, 2023, Shengyuan Holding, Tianjin Zhiweilai and our Company entered into a loan capitalization agreement, pursuant to which our Company increased its registered capital from RMB154,347,826 to RMB161,844,749. Shengyuan Holding and Tianjin Zhiweilai subscribed for 5,830,940 Shares and 1,665,983 Shares at the consideration of RMB13,411,164 and RMB3,831,761 by way of loan capitalization, respectively. Upon the completion of the capital increase, the Company was owned as to 68.5% by Shengyuan Holding, 19.5% by Tianjin Zhiweilai, 9.3% by Tianjin Gongmeihao and 2.7% by Zhuhai Zhongqing. For details of the capital increase, please refer to the paragraph headed "— Loan Capitalization" in this section.

Our Subsidiaries

Tianjin Zhongjianke

Tianjin Zhongjianke was established in the PRC as a limited liability company under the name of Tianjin Shanshengyuan Industrial Co., Ltd.* (天津山盛源實業有限公司) on March 24, 2017 with an initial registered capital of RMB50,000,000. At the time of its establishment, Tianjin Zhongjianke was wholly-owned by our Company. Tianjin Zhongjianke changed its name to Zhongjianke (Tianjin) Co. Limited* (中建科(天津)有限公司) on April 30, 2020. As of the Latest Practicable Date, Tianjin Zhongjianke was a property holding company which held a property primarily used as our Group's office with a portion rented out to Independent Third Parties, with no other business operation.

Yujiacheng

Yujiacheng was established in the PRC as a limited liability company under the name of Tianjin Yujiacheng Construction Engineering Co. Limited* (天津裕嘉程建築工程有限公司) on March 1, 2017 with an initial registered capital of RMB50,000,000. At the time of its establishment, Yujiacheng was wholly-owned by the Company. Yujiacheng changed its name to Yujiacheng Trading Co., Ltd.* (裕嘉程商貿有限公司) on November 12, 2019. As of the Latest Practicable Date, the principal business of Yujiacheng was sales of construction materials.

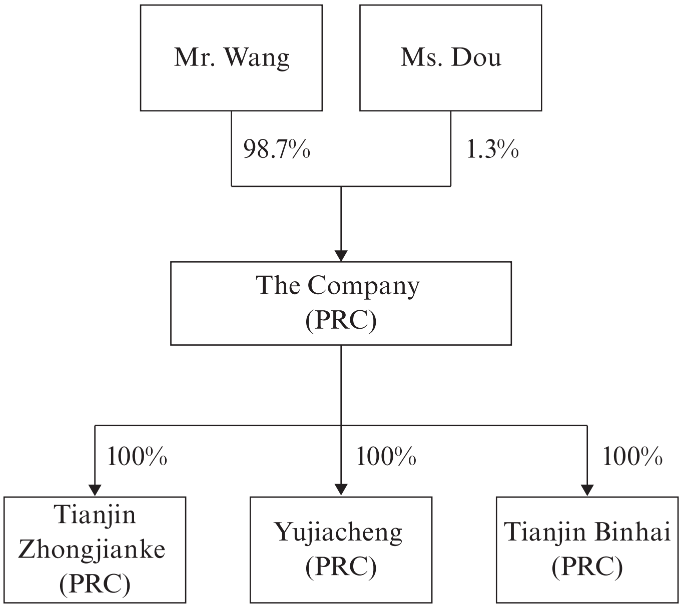
Tianjin Binhai

Tianjin Binhai was established in the PRC as a limited liability company on September 11, 2020 with an initial registered capital of RMB100,000,000. At the time of its establishment, Tianjin Binhai was owned as to 80% by our Company and 20% by Mr. Hao Peitao, an Independent Third Party, who was introduced to our executive Director and president, Mr. Zhao Kuanghua, in September 2020 through a mutual acquaintance. Our Company and Mr. Hao Peitao jointly established Tianjin Binhai with the belief that our Company could further develop its construction design business by utilizing Mr. Hao Peitao's knowledge and resources in the construction industry. Subsequently, Mr. Hao Peitao decided to transfer his equity interest in Tianjin Binhai to our Company and resigned as a supervisor of Tianjin Binhai due to his intention to devote more time to his other personal and business commitments. As such, Mr. Hao Peitao and our Company entered into an equity transfer agreement dated August 11, 2022, pursuant to which, Mr. Hao Peitao agreed to transfer 20% of the equity interest held by him in Tianjin Binhai to our Company at nil consideration, considering that the registered capital of Tianjin Binhai was not yet paid up. Upon completion of such transfer, Tianjin Binhai became wholly-owned by our Company. As of the Latest Practicable Date, the principal business of Tianjin Binhai was building construction.

As of the Latest Practicable Date, the registered capital of our Company has been fully paid up, while the registered capital of Tianjin Zhongjianke, Yujiacheng and Tianjin Binhai have not been fully paid up, and shall be paid up by December 31, 2037, December 31, 2037 and September 1, 2050, respectively.

REORGANIZATION

The shareholding and corporate structure of our Group immediately prior to the Reorganization is set out in the chart below:



In anticipation of the [REDACTED], we underwent the Reorganization, the details of which are set out below:

On November 21, 2022, Mr. Wang transferred 19.7%, 69%, 5% and 5% of his interest in our Company to Shanshengyuan Enterprise Management, Shengyuan Group, Tianjin Jushi and Tianjin Huizhi, all of which were controlled by Mr. Wang and our other Controlling Shareholders, by way of equity contribution to those entities at the consideration of RMB29,957,187, RMB104,819,763, RMB7,595,635 and RMB7,595,635, respectively, which were determined with reference to, among other things, the appraisal value of the shareholders' equity of our Company made by an independent appraisal agency on May 31, 2022. Ms. Dou transferred 0.3% and 1% of her interest in our Company to Shanshengyuan Enterprise Management and Shengyuan Group by way of equity contribution to those entities at the consideration of RMB425,356 and RMB1,519,127, respectively, which were determined with reference to, among other things, the appraisal value of the shareholders' equity of our Company made by an independent appraisal agency on May 31, 2022. Upon completion of the transfers, our Company was owned as to 70% by Shengyuan Group, 20% by Shanshengyuan Enterprise Management, 5% by Tianjin Jushi and 5% by Tianjin Huizhi, respectively.

On November 24, 2022, Shengyuan Group transferred all of its equity interest in our Company to its wholly-owned subsidiary, Shengyuan Holding, at a consideration of RMB54,598,880, which was determined with reference to the net book value of the equity interest of our Company as of November 16, 2022.

On May 30, 2023, Shanshengyuan Enterprise Management transferred 20% of its equity interest in our Company to Tianjin Zhiweilai by way of equity contribution to Tianjin Zhiweilai at the consideration of RMB30,382,540, which was determined with reference to, among other things, the appraisal value of the shareholders' equity of our Company made by an independent appraisal agency on May 31, 2022. On the same date, each of Tianjin Huizhi and Tianjin Jushi transferred 5% of the equity interest in our Company to Tianjin Gongmeihao by way of equity contribution to Tianjin Gongmeihao at the consideration of RMB7,595,635 determined with reference to, among other things, the appraisal value of the shareholders' equity of our Company made by an independent appraisal agency on May 31, 2022. Upon completion of the transfers on May 31, 2023, our Company was owned as to 70% by Shengyuan Holding, 20% by Tianjin Zhiweilai and 10% by Tianjin Gongmeihao, respectively.

Pursuant to the promoters' agreement dated June 2, 2023 and the shareholders' resolution passed on June 5, 2023, the Shareholders agreed to convert our Company into a joint stock company with limited liability in the PRC with an initial registered share capital of RMB150,000,000 divided into 150,000,000 Shares with a nominal value of RMB1.0 each. On June 6, 2023, our Company was registered as a joint stock company with limited liability and was renamed as Tianjin Construction Development Group Co., Ltd. (天津建设发展集团股份公司).

Loan Capitalization

In October 2023, Mr. Wang, Shengyuan Holding, Tianjin Zhiweilai and the Company entered into a loan assignment agreement, pursuant to which Mr. Wang assigned the amounts of RMB13,411,164 due from the Company to Shengyuan Holding and the amounts of RMB3,831,761 due from the Company to Tianjin Zhiweilai, respectively. On December 1, 2023, the Company, Shengyuan Holding and Tianjin Zhiweilai entered into a loan capitalization agreement, pursuant to which Shengyuan Holding and Tianjin Zhiweilai subscribed for 5,830,940 Shares and 1,665,983 Shares at the consideration of RMB13,411,164 and RMB3,831,761 by way of loan capitalization, respectively.

The recognition of the abovementioned loan capitalization was determined based on the valuation report with the reference date of October 31, 2023, issued by Zhongqin Assets Appraisal Co., Ltd.* (中勤資產評估有限公司).

Immediately upon completion of the aforementioned subscription, Shengyuan Holding and Tianjin Zhiweilai held 110,830,940 Shares and 31,665,983 Shares, respectively.

For details of the shareholding structure of our Group immediately after the completion of the Reorganization, see the paragraph headed "— Corporate Structure" under this section.

PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Adviser, all the acquisitions and equity transfers as described in "— Reorganization" were properly and legally completed and all necessary registration and filings from the relevant PRC authorities have been completed.

[REDACTED]

The table below sets out the key particulars of the [REDACTED] by Zhuhai Zhongqing:

Name of the [REDACTED]	Zhuhai Zhongqing
Date of investment agreement	July 19, 2023
Number of Shares subscribed for	4,347,826 Shares
Amount of consideration paid	RMB10,000,000
Basis of determination of consideration	The consideration was based on arm's length negotiation between the parties and had taken into account the historical financial conditions, future growth prospects and performances of our Company. During our Company's negotiation with Zhuhai Zhongqing, there was already an estimated market capitalization range. A [REDACTED] discount rate was applied to the estimated market capitalization range to determine the consideration. The [REDACTED] discount was discussed between the parties and was determined taking into account that our Company has already submitted its [REDACTED] and that the inherent investment risk may be different to that when a [REDACTED] was not yet submitted
Settlement date of the consideration	July 20, 2023
Cost per share and discount to the [REDACTED]	RMB[REDACTED] per Share (equivalent to approximately HK$[REDACTED] per Share), representing a discount of [REDACTED]% to the [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document)

Use of [REDACTED] [REDACTED]	The [REDACTED] from the [REDACTED] were used for our Group's business expansion, capital expenditures and other purposes as approved by the [REDACTED]. As of the Latest Practicable Date, we have utilized 100% of the [REDACTED]
Strategic benefits	Our Directors are of the view that our Group could benefit from the [REDACTED] as it demonstrated such investor's confidence in our business operation and provided our Group with additional capital to fund our operation and expansion. In addition, the [REDACTED] will strengthen and diversify the Shareholders' portfolio
Shareholding in our Company upon [REDACTED]	[REDACTED]
Lock-up	One year from the [REDACTED]
[REDACTED]	Zhuhai Zhongqing is an Independent Third Party, and upon [REDACTED], its shareholding in our Company will be counted towards [REDACTED] for the purpose of Rule 8.08 of the Listing Rules
Special rights	No special right was granted to the [REDACTED]

Background of [REDACTED]

Zhuhai Zhongqing is a limited partnership established in the PRC and a private equity fund which is principally engaged in equity investment in electronics equipment manufacturing industry and invested in several semiconductor and chip device companies in Tianjin and other provinces in the PRC. Zhuhai Zhongqing was acquainted with the Company through participation in a business conference in 2021. Zhuhai Zhongqing is controlled and managed by its general partner, Zhongqing Henghui Private Equity Fund Management Co., Ltd.* (中青恒輝私募基金管理有限公司) ("**Zhongqing Henghui**"). Zhongqing Henghui is an indirect subsidiary of Tsinghua Unigroup Co., Ltd.* (紫光集團有限公司) ("**Tsinghua Unigroup**") (which is principally engaged in the production and development of integrated circuit and was established in the PRC in 1993 with a registered capital of RMB670 million) and has been managing private equity investment funds which invest in enterprises in various industries in the PRC. Having discussed with our Company, Zhuhai Zhongqing was optimistic towards the prospects of the construction industry in Tianjin and it had confidence in our senior management and operational team to deliver consistent operational and financial performance. While understanding our business model, Zhuhai Zhongqing believed in the potential of our self-developed Jiexiao System in terms of its application in the construction industry. Furthermore, Zhuhai Zhongqing was in search for [REDACTED] targets in Tianjin at the time, therefore, they were interested in becoming a [REDACTED] in anticipation of our [REDACTED]. These factors have led to the [REDACTED] made by Zhuhai Zhongqing.

As of the Latest Practicable Date, Zhuhai Zhongqing was owned as to 0.5% by Zhongqing Henghui, 29.6% by Zhuhai Lingxiang Investment Partnership (Limited Partnership)* (珠海領翔投資合夥企業(有限合夥)) ("**Zhuhai Lingxiang**"), 10.8% by Zhuhai Henghui Runzhi Investment Management Partnership (Limited Partnership)* (珠海恒輝潤智投資管理合夥企業(有限合夥)) ("**Zhuhai Henghui**"), 29.6% by Ningbo Jiaxin Dingcheng Business Consulting Partnership (Limited Partnership)* (寧波嘉信鼎誠商務諮詢合夥企業(有限合夥)) ("**Ningbo Jiaxin**") and 29.6% by Hainan Shengshi Huilian Enterprise Management Partnership (Limited Partnership)* (海南盛世匯聯企業管理合夥企業(有限合夥)) ("**Shengshi Huilian**"). Zhuhai Lingxiang, Zhuhai Henghui, Ningbo Jiaxin and Shengshi Huilian whose ultimate beneficial owners are Wang Haiyong (王海勇) and Gao Xue (高雪), Wu Lifang (吳莉芳) and Jiang Jinhua (蔣錦華), Zhang Dapeng (張大鵬) and Zhang Li (張麗), and Liu Xiuqing (劉秀清) and Zheng Suhua (鄭素華), respectively, are limited partners of Zhuhai Zhongqing. The abovementioned individuals are either the licensed investment managers and/or general partners who are entitled to exercise voting power or investors ultimately holding more than one-third of the total equity interest of the respective relevant limited partners of Zhuhai Zhongqing.

Zhuhai Lingxiang was established in the PRC on December 13, 2022 and is owned as to 66.7% by Wang Haiyong (王海勇) and 33.3% by Gao Xue (高雪). It is principally engaged in investment activities.

Zhuhai Henghui was established in the PRC on December 20, 2016 and is owned as to 40% by Zhuhai Hengshun Ruida Equity Investment Partnership (Limited Partnership)* (珠海恒順瑞達股權投資合夥企業(有限合夥)), 35% by Zhongqing Henghui and 25% by Zhuhai Hengshun Xinrong Equity Investment Partnership (Limited Partnership)* (珠海恒順鑫榮股權投資合夥企業(有限合夥)). Zhuhai Henghui is ultimately controlled by Wu Lifang (吳麗芳) and Jiang Jinhua (蔣錦華). It is principally engaged in investment activities.

Ningbo Jiaxin is owned as to 66.7% by Zhang Li (張麗) and 33.3% by Zhang Dapeng (張大鵬). It is principally engaged in commercial consulting services.

Shengshi Huilian was established on December 9, 2022 and is owned as to 66% by Zheng Suhua (鄭素華) and 34% by Liu Xiuqing (劉秀清). It is principally engaged in consulting services.

As confirmed by Zhuhai Zhongqing, Tsinghua Unigroup is wholly owned by Beijing Zhiguangxin Holding Limited* (北京智廣芯控股有限公司) ("**Beijing Zhiguangxin**") which is held by a consortium with no actual controller (無實際控制人的聯合體). Beijing Zhiguangxin is held by more than 10 equity holders (the "**Equity Holders**"), of which more than 50% equity interests in Beijing Zhiguangxin is held by limited partnerships which are controlled by Beijing Wise Road Capital Co., Ltd.* (北京智路資產管理有限公司) ("**Beijing Wise Road**") as general partner. Beijing Wise Road is ultimately controlled by Li Bin (李濱). The ultimate beneficial owners of the Equity Holders include, among others, the State-owned Assets Supervision Committee of Changping District of Beijing* (北京市昌平區人民政府國有資產監督管理委員會), Li Houwen (李厚文) and Li Bin (李濱).

To the best knowledge of our Directors, the [REDACTED], its general partner, limited partners and ultimate beneficial owner are Independent Third Parties. Save as disclosed in the prospectus, Zhuhai Zhongqing (including its general partner and limited partners and their respective beneficial owners) did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) and did not enter into any agreements, arrangements or understanding with our Group, any of our Shareholders or senior management and their respective associates. As confirmed by Zhuhai Zhongqing, the consideration of its subscription was funded by its internal resources which are derived from its limited partners.

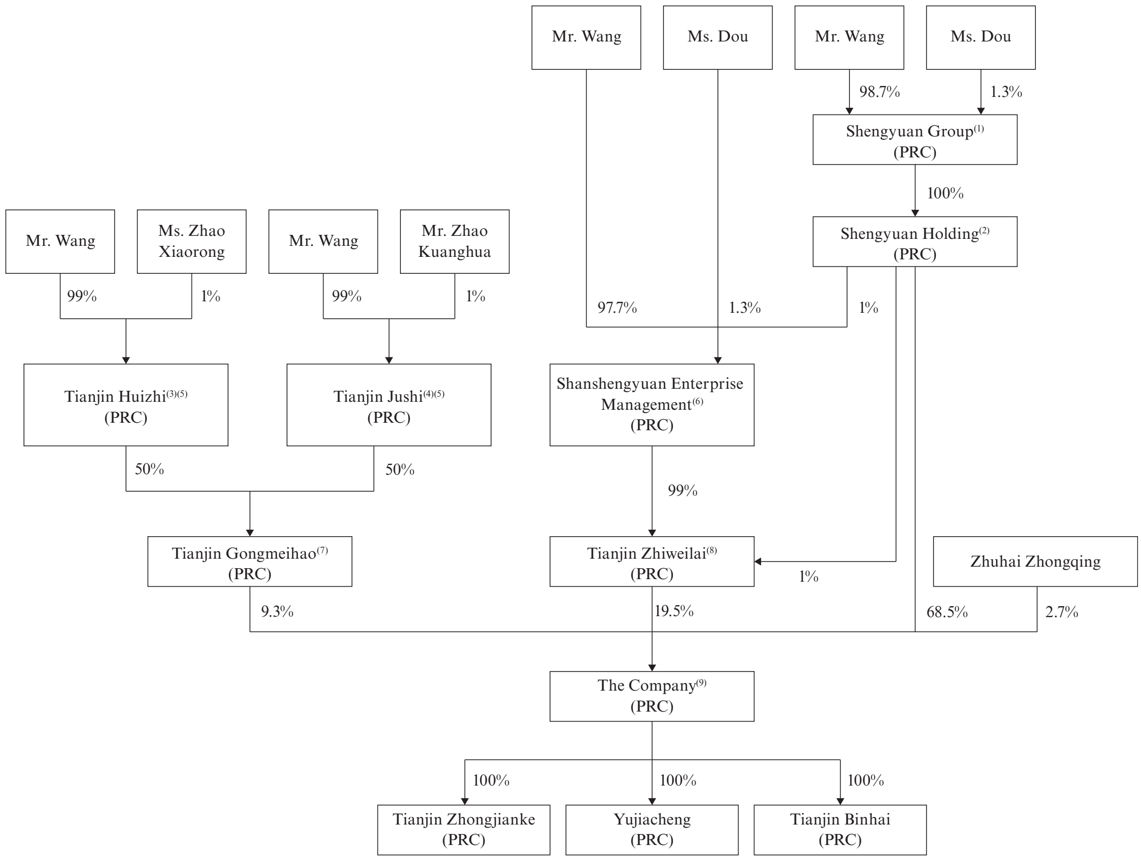
Sole Sponsor's Confirmation

Under Chapter 4.2 under the Guide for New Listing Applicants published by the Hong Kong Stock Exchange, where any [REDACTED] is completed on or after the date of the first submission of the [REDACTED] form to the Hong Kong Stock Exchange, the Hong Kong Stock Exchange will generally delay the first day of [REDACTED] until 120 clear days after the completion of the last [REDACTED]. The consideration for the [REDACTED] was settled on July 20, 2023. On the basis that (i) the [REDACTED] will be more than 120 clear days after the completion of the [REDACTED]; and (ii) the [REDACTED] was not granted any special rights, the Sole Sponsor has confirmed that the [REDACTED] is in compliance with Chapter 4.2 under the Guide for New [REDACTED] published by the Hong Kong Stock Exchange.

CORPORATE STRUCTURE

Corporate structure after the Reorganization and immediately prior to the [REDACTED]

Our corporate and shareholding structure after the Reorganization and immediately prior to the [REDACTED] is as follows:



Notes:

(1) Shengyuan Group is a company established under the laws of the PRC on October 12, 2021 with limited liability and had no business operation except for holding Shares through its subsidiaries as of the Latest Practicable Date. As of the Latest Practicable Date, Shengyuan Group was owned as to 98.7% and 1.3% by Mr. Wang and Ms. Dou, respectively.

(2) Shengyuan Holding is a company established under the laws of the PRC on March 1, 2022 with limited liability and a wholly-owned subsidiary of Shengyuan Group. Shengyuan Holding had no business operation except for holding Shares directly and indirectly as of the Latest Practicable Date.

(3) Tianjin Huizhi is a limited partnership established under the laws of the PRC on November 18, 2021 and had no business operation except for holding Shares through its subsidiary as of the Latest Practicable Date. As of the Latest Practicable Date, Tianjin Huizhi was owned as to 99% and 1% respectively by Mr. Wang (as limited partner) and Ms. Zhao Xiaorong (as general partner), an executive Director and vice president of our Company. Pursuant to Part XV of the SFO, Mr. Wang, as the limited partner that holds 99% equity interests in, i.e., who contributed more than one third of the capital of, Tianjin Huizhi, shall disclose the interest in the shares in which Tianjin Huizhi is interested. Therefore, Tianjin Huizhi is deemed as a member of the group of Controlling Shareholders alongside other Controlling Shareholders in which Mr. Wang has control. On the other hand, Ms. Zhao Xiaorong, as the general partner of Tianjin Huizhi, is deemed to have de facto control in it and hence is a controller of Tianjin Huizhi. Ms. Zhao Xiaorong, therefore, is also a Controlling Shareholder.

(4) Tianjin Jushi is a limited partnership established under the laws of the PRC on November 18, 2021 and had no business operation except for holding Shares in our Company through its subsidiary as of the Latest Practicable Date. As of the Latest Practicable Date, Tianjin Jushi was owned as to 99% and 1%, respectively, by Mr. Wang (as limited partner) and Mr. Zhao Kuanghua (as general partner), an executive Director and president of our Company. Pursuant to Part XV of the SFO, Mr. Wang, as the limited partner that holds 99% equity interests in, i.e., who contributed more than one third of the capital of, Tianjin Jushi, shall disclose the interest in the shares in which Tianjin Jushi is interested. Therefore, Tianjin Jushi is deemed as a member of the group of Controlling Shareholders alongside other Controlling Shareholders in which Mr. Wang has control. On the other hand, Mr. Zhao Kuanghua, as the general partner of Tianjin Jushi, is deemed to have de facto control in it and hence is a controller of Tianjin Jushi. Mr. Zhao Kuanghua, therefore, is also a Controlling Shareholder.

(5) For the avoidance of doubt, the aggregate interest held by Tianjin Huizhi and Tianjin Jushi in our Company through Tianjin Gongmeihao only adds up to 9.3% voting right in the Company, and Ms. Zhao Xiaorong and Mr. Zhao Kuanghua, as the general partners of Tianjin Huizhi and Tianjin Jushi, respectively, are deemed as members of the group of Controlling Shareholders. To the best of our Directors' knowledge, there is no voting arrangement or concert-party arrangement among Ms. Zhao Xiaorong and Mr. Zhao Kuanghua and the other members of the group of Controlling Shareholders.

(6) Shanshengyuan Enterprise Management is a limited partnership established under the laws of PRC on March 17, 2022 and had no business operation except for holding Shares through its subsidiary as of the Latest Practicable Date. As of the Latest Practicable Date, Shanshengyuan Enterprise Management was owned as to 97.7%, 1.3% and 1%, by Mr. Wang (as limited partner), Ms. Dou (as limited partner), and Shengyuan Holding (as general partner), respectively.

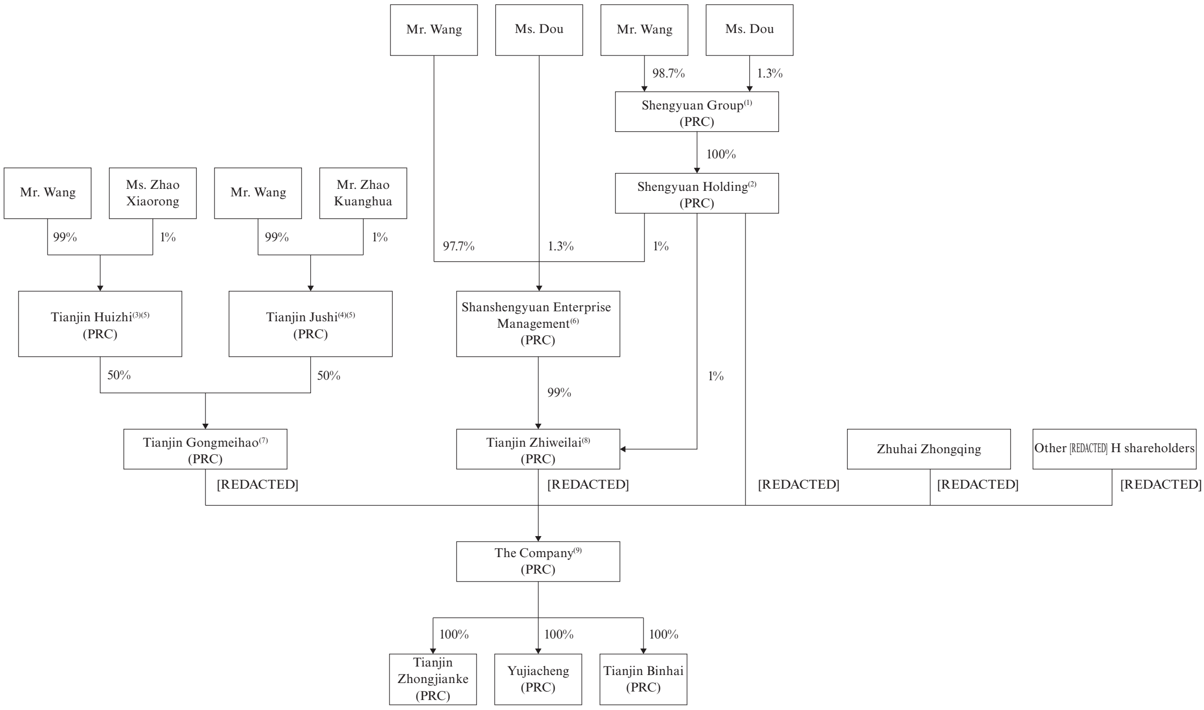
(7) Tianjin Gongmeihao is a company established under the laws of the PRC on May 29, 2023 with limited liability and had no business operation except for holding Shares as of the Latest Practicable Date. As of the Latest Practicable Date, Tinajin Gongmeihao was owned as to 50% and 50% by Tianjin Huizhi and Tianjin Jushi, respectively.

(8) Tianjin Zhiweilai is a company established under the laws of the PRC on May 24, 2023 with limited liability and had no business operation except for holding Shares as of the Latest Practicable Date. As of the Latest Practicable Date, Tianjin Zhiweilai was owned as to 99% and 1% by Shanshengyuan Enterprise Management and Shengyuan Holding, respectively.

(9) As of the Latest Practicable Date, our Company had one branch office in Shenzhen.

Corporate Structure Immediately after the [REDACTED]

Our corporate and shareholding structure immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) will be as follows:



Note: Please refer to notes (1) to (9) on pages 123–124 for details.

OVERVIEW

We are a construction group based in Tianjin which offers comprehensive construction services. According to the Frost & Sullivan Report, there were 2,547 construction enterprises in Tianjin in 2022, which our Group accounted for a market share of 0.1% in the overall construction market in terms of construction revenue in Tianjin in 2022. We ranked fourth among the private companies engaged in municipal public construction in Tianjin in terms of revenue generated from municipal public construction works in 2022, representing a market share of approximately 0.2%. During the Track Record Period, we primarily engaged in construction business and strove to provide high quality construction services to our customers by leveraging our self-developed Jiexiao System, a comprehensive construction project management software equipped with multiple functions including cost monitoring, progress measuring and resources tracking.

According to the Frost & Sullivan Report, among the 2,547 and 3,351 construction enterprises in Tianjin in 2022 and 2023, respectively, there were only three and four construction companies which possessed qualifications in both petrochemical engineering works and highway construction works at the same time, respectively, out of which we were the only construction company which is a private company. In addition to qualifications in petrochemical engineering works and highway construction works, we also possessed qualifications in municipal public construction works and building construction, enabling us to participate in a wider range of projects compared to construction companies possessing fewer qualifications. As of the Latest Practicable Date, we possessed 25 qualifications related to our construction business, which included two first-grade construction qualifications: (i) first-grade qualification in petrochemical engineering construction general contracting* (石油化工工程施工總承包壹級資質); and (ii) first-grade qualification in foundation construction professional contracting* (地基基礎工程專業承包一級資質). For details, please refer to the paragraph headed "— Licenses, Qualifications and Permits" in this section.

During the Track Record Period, we received a number of honors and certificates for our technological innovation and digital exploration in the field of construction, including the Leading Enterprise in the Strategic Emerging Industries in Tianjin* (天津市戰略性新興產業領軍企業), Specialized, Sophisticated, Unique and Innovative Small and Medium-sized Enterprises in Tianjin* (天津市「專精特新」中小企業), Leading Nurturing Technological Enterprises in Tianjin* (天津市科技領軍培育企業), and High and New Technology Enterprise* (高新技術企業). Furthermore, as of the Latest Practicable Date, we had 23 patents and 17 software copyrights.

During the Track Record Period, we primarily focused on construction business, comprising (i) municipal public construction works, which mainly included road construction and traffic facilities construction; (ii) foundation works, which mainly included foundation construction and earthwork; (iii) building construction related works; and (iv) petrochemical engineering works.

Our construction projects are mainly located in Tianjin, the revenue of which accounted for 92.9%, 97.4% and 86.6% of our total revenue generated from construction projects for the years ended December 31, 2021, 2022 and 2023, respectively.

During the Track Record Period, our reputation was built in the construction industry in Tianjin with an operating history of more than a decade. By leveraging our brand and industry experience, we aim to capture more market share in the relevant market.

By capitalizing on our industry experience and quality service, during the Track Record Period, we undertook 145 construction projects and served 67 customers including government authorities, state-owned enterprises, and private enterprises. As of December 31, 2023, we had a total of 27 ongoing projects (including projects in progress and projects undertaken by us but not yet commenced) with a total contract amount (exclude variation orders) of approximately RMB262.2 million.

Since late 2020, in order to capture the business opportunities arising from the substantial investment in infrastructure projects of larger size by the local government in Tianjin, we adjusted our business focus from small-to-mid size construction projects to large scale construction projects (i.e. projects with original contract value (not including VAT) of more than RMB10.0 million), particularly municipal public construction projects, to expand our business and enhance our market position in the construction industry in Tianjin. During the Track Record Period, we recognized revenue of RMB203.2 million, RMB241.6 million and RMB265.3 million, from 11, 19 and 21 large scale projects, respectively, accounting for 73.9%, 83.9% and 83.3% of our total revenue of the same year, respectively. As of January 31, 2024, we had 12 ongoing large scale projects with a backlog value of RMB143.0 million, accounting for 89.5% of the total backlog value. Despite we adjusted our business focus since late 2020 from small-to-mid size construction projects to large scale construction projects, there was no material change in our profitability during the Track Record Period, and our gross profit margin maintained relatively stable at 26.1%, 25.2% and 25.1% respectively during the Track Record Period. On the other hand, the gross profit margin of our municipal public construction projects also remained relatively stable at 29.1%, 24.6% and 27.6% respectively during the Track Record Period. In terms of our liquidity, our undertaking of more large scale construction projects could lead to a larger fluctuation in the balance of our cash and cash equivalents since our progress of construction work varied among the projects at different point of time. We may experience significant amount of cash outflow at a specific point of time when the large scale projects are at the initial stage which make us incur significant amount of upfront cost, which may lead to a decrease in the amount of cash and cash equivalents at the relevant point of time. For details of our measures for managing our liquidity position, please refer to the section headed "Financial Information — Liquidity and capital resources" in this document. On the other hand, given a majority of our customers of the large scale projects we undertook during the Track Record Period were government authorities or state-owned enterprises, which usually have more internal procedures for certification and settlement, our undertaking of more large scale projects could lead to the slower conversion of contract assets to trade receivables and longer settlement time for the trade receivables. We have adopted internal control policies on monitoring the certification and settlement procedures of our contract assets and the settlement of our trade and bills receivables. For details of our internal control policies, please refer to the section headed "Financial Information — Description of selected items of the consolidated statements of financial position — Trade receivables and contract assets control policy" in this document.

Our total revenue increased from RMB274.9 million in 2021 to RMB319.4 million in 2023, with a CAGR of 7.8% from 2021 to 2023. Such increase was mainly due to the overall expansion of our construction business. During the Track Record Period, the average contract amount for our new projects increased from RMB4.5 million in 2021 to RMB12.4 million in 2023. Our gross profit increased from RMB71.7 million in 2021 to RMB80.3 million in 2023, with a CAGR of 5.8% from 2021 to 2023. We believe that the improvement in our business progress control, particularly with the adoption of Jiexiao System, will enable us to better control the use of materials, equipment and labor and reduce wastage on a continuous basis, and allow us to reduce overrun in the midst of our growing business volume.

We have used our self-developed Jiexiao System, a construction project management software, which has functions covering various phases of construction project management, spanning from processing internal approval of contracts upon commencement of projects to settlement upon completion of projects. Jiexiao system facilitates effective management of our projects with functions including cost control, resources tracking, personnel management and progress monitoring. For details of the Jiexiao System, please refer to the paragraph headed "— Intellectual Property — Our Jiexiao System" in this section.

With years of experience in the construction industry, we believe that we have continuously provided professional construction services to our customers by gaining in-depth understanding of the standards and requirements of various customers for different projects. According to the Frost & Sullivan Report, the total revenue of the construction industry in the PRC increased from approximately RMB21.2 trillion to approximately RMB27.3 trillion from 2018 to 2022 at a CAGR of approximately 6.5%. It is expected that in line with the growth and development of the total output value of the construction industry, the total revenue of the construction industry is expected to grow continuously, and is expected to reach approximately RMB36.1 trillion at a CAGR of approximately 5.7% from 2022 to 2027. Given the market prospects and future demand for the construction industry in the PRC, as a participant in the construction market, we believe that we will be able to benefit from the sustainable development of the industry.

COMPETITIVE STRENGTHS

We believe that our success is derived from the following competitive strengths:

We are capable of providing comprehensive construction services with proven track record and are able to seize the market opportunities to achieve sizeable growth

Since our establishment, we have focused mainly on municipal public construction in Tianjin and have gained a foothold in the market in the past decade. According to the Frost & Sullivan Report, we ranked fourth among private companies engaged in municipal public construction in Tianjin in terms of revenue generated from municipal public construction works in 2022. We were acclaimed as a Leading Enterprise in the Strategic Emerging Industries in Tianjin* (天津市戰略性新興產業領軍企業), Specialized, Sophisticated, Unique and Innovative Small and Medium-sized Enterprises in Tianjin* (天津市「專精特新」中小企業), and Leading Nurturing Technological Enterprise in Tianjin* (天津市科技領軍培育企業) in recognition of our technological innovation and digital exploration in the field of construction.

Our performance experienced rapid growth as a result of our commitment to providing professional construction services to our customers and our continued efforts to enhance our market recognition. During the Track Record Period, we provided services to a total of 67 customers and undertook 145 construction projects; we were awarded 23, seven and 11 municipal public construction projects, respectively; we were awarded two, four and three foundation works projects, respectively; we were awarded 25, 13 and three building construction related projects, respectively; and we were awarded 11, seven and seven petrochemical engineering projects, respectively.

Our total revenue increased from RMB274.9 million in 2021 to RMB319.4 million in 2023, representing a CAGR of 7.8%. During the Track Record Period, we conducted customer survey for our completed projects and most of the feedback from our customers indicated that they were satisfied with our services in terms of project progress, project quality, fulfillment of contractual responsibilities, project management and personnel quality, and that they are willing to cooperate with us again in the future. During the Track Record Period, among our 67 customers, 24 of our customers contributed to our revenue for more than one year, amounting to RMB582.4 million of revenue in total, representing 66.1% of our total revenue.

During the Track Record Period, the majority of our customers were located in Tianjin. According to the Frost & Sullivan Report, infrastructure investment in Tianjin has continued to rise from approximately RMB0.3 trillion in 2018 to approximately RMB0.4 trillion in 2022, representing a CAGR of approximately 10.3%, while it is forecasted to grow at a CAGR of approximately 6.0% from 2022 to 2027. The market size of municipal public construction in Tianjin is forecasted to grow from approximately RMB45.9 billion in 2022 to approximately RMB71.2 billion in 2027, representing a CAGR of approximately 9.2%. For further details, please refer to the section headed "Industry Overview" in this document.

As illustrated by the market data above, the municipal public construction market in Tianjin is expected to grow further in the coming years. According to the Frost & Sullivan Report, the Tianjin municipal public construction market is highly fragmented and there is no dominant player in the market. Given that the size of the market is considerably sizable as compared to that of our Group, our Group sees high growth potential in the municipal public construction industry in Tianjin. As such, construction companies with competitive edge and the ability to overcome relevant entry barriers in the area, such as our Group, would be able to achieve sizeable growth if they are able to seize the market opportunities. According to Frost & Sullivan, construction projects have become more complex and larger in scale with the increasing urbanization rate and the rapid development of the construction industry in the PRC, therefore, opportunities are created for construction companies and require higher standards of project management in terms of modeling, evaluation and control to achieve an overall balance of time, cost, quality and safety. Besides, the industry requires contractors to possess significant experience and practical capabilities to address technical challenges and complex projects, creating high professional and technical barriers. In order to maximize the capability of construction companies to undertake different types of construction works, construction companies are required to possess various kinds of expertise and qualifications. We possess a wide range of construction qualifications and licenses that allow us to provide comprehensive construction services and achieve substantial growth during the Track Record Period, which is evidenced by the increase in our revenue from RMB274.9 million for the year ended December 31, 2021 to RMB319.4 million for the year ended December 31, 2023, representing a CAGR of 7.8%.

In light of the above, we believe that the development potential of the relevant market in Tianjin will offer extensive market prospects for our business development. In addition, due to our continuous efforts in R&D and capabilities in the construction sector, we have received support from local government authority. On May 16, 2022, we entered into an investment cooperation agreement with the Tianjin Economic and Technological Development Area Administrative Committee* (天津經濟技術開發區管理委員會), pursuant to which the Tianjin Economic and Technological Development Area Administrative Committee* (天津經濟技術開發區管理委員會) conditionally agreed to provide us with support in various areas, including operation, technological innovation, subsidies for talents, taxation and marketing. The above-mentioned support policy will generally remain in force until November 30, 2027. For further details, please refer to "— Investment Cooperation Agreement" in this section.

Considering the above favorable factors, we believe that we are well-positioned to take advantage over these market drivers and further develop our business. We also believe that our diverse range of project experience and professional construction services have, and will be able to, put us in a favorable position in this growing industry and to out-compete our peers.

We have implemented stringent project cost control throughout the project life-cycle, through application of our self-developed Jiexiao System

According to the Frost & Sullivan Report, the 14th Five-Year period is a critical period to accelerate the transformation and development of the construction industry. According to "14th Five-Year Construction Industry Development Plan" (《「十四五」建築業發展規劃》), the construction sector in the PRC is expected to realize comprehensive industrialization, with great improvements to the quality of buildings and its business-innovation capability by 2035. The government will promote the use of information technology in the construction sector by encouraging cooperation between construction companies, internet enterprises and research institutes.

To correspond to the policy directions set out by the government together with our Company's continuing focus on internal control and cost management of our construction projects, we self-developed a comprehensive construction project management software equipped with various functions including cost monitoring, progress measuring and resources tracking. Through the Jiexiao System, we can conduct cost analysis, contract management, schedule control, quality inspections, etc., allowing us to streamline processes, optimize resource allocation, and enhance project coordination. For further details of our Jiexiao System, please refer to the paragraph headed "— Intellectual Property — Our Jiexiao System" in this section.

We believe that the Jiexiao System could (i) strengthen the control of project progress by recording important quantitative information of the contract, quantity list (工程量清單) and the execution process; (ii) allow the management team to monitor the project progress and usage of materials, equipment and labor on a continuous basis and reduce overrun and deviation from payment schedule and quantity list; and (iii) facilitate accurate measurement and reduce cost wastage, data tempering and human input error by automatic measurement with the assistance of IoT and RFID technologies. Thus, our Company can exercise stringent cost control by timely identifying any deviation from our cost evaluation. Any overspending will have to be approved by relevant authorized personnel on the Jiexiao System.

The Ministry of Industry and Information Technology of the PRC promulgated the "14th Five-Year Plan for the In-Depth Integration of Informatization and Industrialization" (《「十四五」信息化和工業化深度融合發展規劃》) in 2021 and the Tianjin Municipal Government also implemented the related policies. Corresponding to such policy directions, we integrated our software into management of our construction projects, and obtained the Integration of Informationization and Industrialization Management System Certificate (兩化融合管理體系評定證書) on January 21, 2022.

We possess multiple kinds of construction qualifications and licenses allowing us to be a comprehensive construction service provider

According to the Frost & Sullivan Report, among the 2,547 and 3,351 construction enterprises in Tianjin in 2022 and 2023, respectively, there were only three and four construction companies which possessed qualifications in both petrochemical engineering works and highway construction works at the same time, respectively, out of which we were the only private construction company which is a private company. In addition to qualifications in petrochemical engineering works and highway construction works, we also possessed qualifications in municipal public construction works and building construction, enabling us to participate in a wider range of projects compared to construction companies possessing fewer qualifications. Our qualifications cover a majority of construction categories, which strengthen our capability to provide a diverse range of professional construction services to our customers. As of the Latest Practicable Date, our construction qualifications included two first-grade qualifications, 21 second-grade qualifications and two qualifications regardless of grade. Our qualifications cover six out of the 12 general contracting qualification categories in the construction contracting industry, as well as 14 out of the 36 professional construction contracting qualification categories. For further details, please refer to the paragraph headed "— Licenses, Qualifications, and Permits" in this section.

According to the Frost & Sullivan Report, contractors are required to hold licenses or qualifications relevant to the type of projects they undertake, while demonstrating professional skills and experience, to compete effectively in the construction industry. Meanwhile, when determining whether to approve the construction qualification, based on our past experience the authorities generally consider the number of staff equipped with appropriate qualifications, historical experiences in sizeable projects, in addition to capital requirement. Therefore, it generally takes time for construction companies to accumulate experience and resources before they can obtain such qualification, and we believe that qualification is one of the key entry barriers in the construction industry. We believe that the possession of these qualifications will place us in an advantageous position, in particular when securing projects that require construction service providers to hold multiple kinds of qualifications, such as the Tianjin Dingzheng Solvent Tank Overhaul Project* (天津頂正溶劑罐改造) requiring both building construction general contracting* (建築工程施工總承包) and petrochemical construction general contracting* (石油化工工程施工總承包) qualifications.

On the other hand, our array of qualifications allow us to take on a diverse range of works, enabling us to diversify our revenue sources and be more flexible in response to changing economic cycle and market conditions. We believe that our competitive advantages will continue to increase over our industry peers as the number and grade of our qualifications increase over time.

We have developed a set of criteria for project selection which enables us to identify projects with satisfactory profitability

We place great emphasis on the selection of potential projects for bidding with the aim of maximizing profitability while maintaining an acceptable period of payment to ensure orderly and sustainable business operation. We prefer projects that are of high profitability and customers with sound payment records. Our project selection criteria consists of the following customers assessment and pre-tender assessment:

- *Customer assessment:* according to the Frost & Sullivan Report, construction companies in the PRC generally record significant amount of contract assets and trade and bills receivables, the recoverability of such are often related to the conditions of the customers. Therefore, we usually perform assessment on the credit standing of our potential customers at our project identification and selection stage. Prior to tendering for potential projects, we will generally obtain background information of the potential customers in relation to their size of operation, years of establishment, nature of business, registered capital, years of business cooperation and performance records from various sources, including the potential customers, information enquiry websites and our business partners. This assessment process is established to evaluate the operational and payment capabilities of the potential customers in order to identify the customers which have good payment record. We assign different credit ratings ranging from A to E to potential clients using a scoring system. If customers fall within the top two rating bands, we may consider tendering for the projects of such clients after taking into account other commercial factors.

- *Pre-tender assessment:* upon assessing the credit rating of the potential customers, in order to enable us to determine a more accurate estimated profit/cost, we formulate project feasibility studies, project cost assessments and tendering strategies which include project overview, technical requirements, quantity list, cost budgets, tender price limits and estimated tender prices. We prepare such assessment based on (i) the actual conditions of the potential project; (ii) the terms of the tender documents; (iii) the quotations provided by the relevant suppliers; and (iv) our prior experience in similar projects. Generally, we will not carry out marketing and tendering activities for projects with an expected profit margin below our pre-determined level, and we will prudently consider bidding projects that fall within our assessment criteria.

We believe that our project selection criteria is a vital tool to allow us to take on projects that will have a positive effect on our profit and ensure orderly business operations.

We have quality and safety management system in place that corresponds to customer requirements

In the course of providing services to our customers, we have implemented internationally-recognized standards for quality management. Our quality system has been evaluated and certified as satisfying the requirement of GB/T19001–2016/ISO9001: 2015 and GB/T50430–2017 quality management system certification. For further information on the quality standards we have adopted, please refer to the paragraph headed "— Quality Control and Management" in this section. We have also established an occupational health and safety management system, which has been certified to satisfy the requirements of GB/T 45001–2020/ISO 45001: 2018 standard.

We were recognized as an Advanced Quality Management Company* (質量管理先進單位) by the Customer H for the Beijing Gas Tianjin Nangang LNG Emergency Reserve Project* (北京燃氣天津南港LNG應急儲備項目) in September 2021, being the first energy conversion and air quality improvement project that our Group participated in. We believe that such recognition from our customers is significant to our future endeavors in projects related to the petrochemical engineering works and new energy construction works.

We believe that our continuing success in business primarily counts on our capability to meet customer's requirements, especially those related to quality and safety, which will bring us business opportunities and assist us to maintain our competitiveness in the market. We believe that our quality and safety management system can help us provide our customers with consistent and professional construction services in the long run and assist in retaining our customers.

Our strong R&D capabilities in the construction field enable us to have a competitive edge in technological innovation

We are committed to developing and adopting innovative construction techniques and technologies to improve the efficiency and quality of our construction projects, thereby enhancing our Group's competitive strengths in the construction industry. We believe that our R&D capabilities have made significant contributions to our success. As of the Latest Practicable Date, our Group had 19 utility models and four invention patents relating to construction techniques which were mainly related to the building equipment, pipeline structures, municipal and public infrastructure facilities. For instance, we have developed a treatment method for roadbed hazard (一種路基危害的處理方法) to be used in the saline and alkaline land (鹽堿地鹽漬土地區) to reduce road cracks and corrosion. For further details, please refer to the section headed "Statutory and General Information" in Appendix VII to this document.

We believe that modern infrastructure construction will place greater emphasis on the application of advanced techniques and technologies and impose higher quality requirements compared to traditional construction projects. Therefore, a higher level of our technology and innovation standards is crucial for seizing future market opportunities.

As of the Latest Practicable Date, our R&D team had 42 employees including personnel with qualifications of mid-level and senior engineer, construction engineer or cost engineer, providing technical guidance for our R&D activities. We believe that we possess competitive advantage in terms of construction technology innovation compared to our competitors since optimized construction solutions and cost reductions resulting from technological innovation are important factors in winning tenders, maintaining and improving profitability and competitiveness. In addition, we have received a number of honors and certificates for our technological innovation and digital development in the field of construction, including the Leading Enterprise in the Strategic Emerging Industries in Tianjin* (天津市戰略性新興產業領軍企業), Specialized, Sophisticated, Unique and Innovative Small and Medium-sized Enterprises in Tianjin City* (天津市「專精特新」中小企業), and Leading Nurturing Technological Enterprises in Tianjin* (天津市科技領軍培育企業) and High and New Technology Enterprise* (高新技術企業).

We believe that our dedicated efforts in R&D, combined with our industry experience and expertise, will enable us to keenly observe and adapt to the changing market trends and customer demands, keep up with the evolving technological advancements in the construction industry so as to stand out among our peers and further solidify our industry reputation and market position.

We have an experienced management team and professional personnel

Our experienced and competent management team has a wealth of operational knowledge and in-depth understanding of the construction industry in the PRC, which is essential to the development of our business.

Our management team is led by our executive Director, Mr. Zhao Kuanghua, who joined our Group in 2018 and possesses over a decade of experience in the construction industry. With his extensive experience and strategic vision, we developed sustainable business strategies and established our overall operational model, which has contributed to our current success. Our key management members possess over a decade of management skills and/or operational experience in construction industry or their respective areas of expertise, enabling us to develop competitive project solutions and address project challenges and associated market risks, which is instrumental in building our reputation in the market and the success of our business. For further details, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

During our Group's development, our management team has been supported by talented personnel with extensive industry expertise and knowledge to cope with the ever-changing trends in the industry. To ensure the professionalism of our staff, we provide our employees with a range of training activities, including technical skills training and leadership training, allowing them to develop technical and management knowledge and to familiarize them with our projects and enterprise culture. Our Directors believe that our trainings are adequate for our employees to carry out their respective tasks and will in turn motivate our employees to provide professional construction services and better serve our customers.

With the experience and technical knowledge of our management team, our Directors are confident that our Group will remain competitive in the industry, and thus strengthening our market position in the construction industry in the PRC.

BUSINESS STRATEGIES

Our goal is to increase our market share in the construction market in Tianjin and other regions in the PRC, while expanding our project types at the same time to further strengthen our position in the industry. In order to achieve this goal, we intend to implement the following strategies:

Further consolidate our industry advantages and undertake more large scale projects

According to the Frost & Sullivan Report, in the future, according to the "Outline of the 14th Five-Year Plan (2021–2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China" (《國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), the Tianjin Municipal Government is actively implementing urban renewal actions and promoting high quality urban transformation to enhance the operational quality of municipal infrastructure. Efforts are being made to create green urban areas and to complete the renovation of old urban communities built before the year-end of 2000 by 2025. In addition, as construction projects become more complex and larger in scale with the increasing urbanization rate and the rapid development of the construction industry in the PRC, opportunities are created for construction companies, which require higher standards of project management in terms of modeling, evaluation and control to achieve an overall balance of time, cost, quality and safety. In the future, similar to the growth and development of the total output value of the construction industry, the total revenue of the construction industry is expected to grow continuously, and is expected to reach RMB36.1 trillion, representing a CAGR of 5.7% from 2022 to 2027. Further, the Tianjin municipal government is advancing the development of Binhai New Area (濱海新區) to accelerate the improvement of infrastructure and public services. As a city with well-established infrastructure and high environmental quality, Tianjin is expected to witness rapid development from 2022 to 2027. Tianjin's municipal public construction market is forecast to reach approximately RMB71.1 billion in 2027, representing a CAGR of approximately 9.1% from 2022.

Since late 2020, in order to capture the business opportunities arising from the substantial investment in infrastructure projects of larger size by the local government in Tianjin, we adjusted our business focus from small-to-mid size construction projects to large scale construction projects (i.e. projects with original contract value (not including VAT) of more than RMB10.0 million) to expand our business and enhance our market position in the construction industry in Tianjin. We believe that projects with original contract value (not including VAT) of more than RMB10.0 million is an appropriate threshold to determine whether a project is "large scale" because (i) the average original contract value of new projects obtained by our Group for the years ended December 31, 2021, 2022 and 2023 was RMB4.5 million, RMB8.0 million and RMB12.4 million respectively; (ii) the overall average original contract value of new projects obtained by our Group during the Track Record Period was RMB6.9 million; and (iii) only 25 out of the

116 projects (i.e. 21.6%) obtained by our Group during the Track Record Period had an original contract value of more than RMB10.0 million. During the Track Record Period, we recognized revenue of RMB203.2 million, RMB241.6 million and RMB265.3 million, from 11, 19 and 21 large scale projects, respectively, accounting for 73.9%, 83.9% and 83.1% of our total revenue of the same year, respectively. As of January 31, 2024, we had 12 ongoing large scale projects with a backlog value of RMB143.0 million, accounting for 89.5% of the total backlog value.

In early 2023, the Group entered into non-legally binding cooperation framework agreements with two Independent Third Parties which are state-owned city development and construction groups based in Tianjin in relation to a large-scale urban renewal project (the "**Urban Renewal Cooperation Framework Agreement**") and the potential urban infrastructure construction projects (the "**Urban Infrastructure Cooperation Framework Agreement**"). The salient terms of the cooperation framework agreements and the information on the parties are as follows:

Urban Renewal Cooperation Framework Agreement

Date of the Urban Renewal Cooperation Framework Agreement:	February 28, 2023
Parties:	(1) a state-owned enterprise established in the PRC with limited liability and a registered capital of approximately RMB5,000 million, which is based in Tianjin ("**Party A**"). Party A, being a city investment corporation (城投公司), is principally engaged in urban renewal and development in Tianjin including Tianjin Economic-Technological Development Area and its parent company is a large state-owned enterprise with an operating history of more than 30 years, that develops real estate, comprehensive urban renewal and development public utility, high-end manufacturing and finance in Binhai New Area, Tianjin under the supervision of State-owned Assets Supervision Committee of Tianjin Municipality. The parent company has a total asset of more than RMB400 billion, equity of more than RMB100 billion and revenue of more than RMB80 billion for the year ended December 31, 2022; and

(2) the Company

The Group became acquainted with Party A through the Tianjiang Apartment Projects, with Party A being the project owner. Tianjiang Apartment Projects consists of 11 projects in building construction which we have provided a wide range of building renovation, remodeling and upgrading services, with a contract sum of RMB137.3 million in total in second half of 2022 and in 2023. The Group has also been awarded a soil backfilling project from Party A with a contract sum of approximately RMB43.7 million, in a separate location in Tianjin in July, 2023.

Party A is one of the project implementation entities. The project is led by one of the largest comprehensive construction groups and the largest railway and highway engineering contractors in China implemented together with a few other state-owned construction enterprise as a consortium, which Party A is one of the project implementation entities.

Nature of the Urban Renewal Cooperation Framework Agreement:

A large-scale urban renewal project at the Binhai New Area, Tianjin, with an estimated total investment size of approximately RMB46.2 billion covering, among other things, infrastructure, public service facility constructions, industrial land development and residential land development. The project has been included in the Binhai New Area Urban Renewal Dedicated Plan (濱海新區城市更新專項規劃) prepared by Binhai New Area Branch of the Municipal Planning and Natural Resources Bureau of Tianjin (天津市規劃和自然資源局濱海新區分局) as one of the urban renewal projects to be prioritized for advancement.

Term of the Urban Renewal Cooperation Framework Agreement:	Effective since February 28, 2023 and has no specified end date. Separate specific agreements will be entered into for each project awarded to the Group.
Scope of cooperation:	The project is to be jointly-executed by a consortium of state-owned construction groups, which is led by one of the largest comprehensive construction groups which is the largest railway and highway engineering contractors in China, which Party A is one of the project implementation entities. The Group will be involved in the preliminary works and provide construction services to the urban renewal project, including design and arrangement for construction work, new material applications and project cost control. The Group may be participating in project(s) through tenders with an expected aggregate contract amount of up to RMB1.5 billion.

In January 2024, the project implementation entities, including Party A, entered into the "North China Ceramics Region Urban Renewal Project Development Agreement" (華北陶瓷地區城市更新項目開發協議), signaturing the kick-off of the subject large-scale urban renewal project of this agreement. Based on the best knowledge and understanding of our Directors, as of February 29, 2024, this project is in the design and planning phase and is developing plans for the removal of the current occupants in the project area. It is expected that the tendering of engineering and construction contracts in relation to this project, including but not limited to demolition of the area and subsequent infrastructure and building works, will start after the removal phase. As such, our Group has not submitted tendered for the said urban renewal projects yet. We will continue to liaise with Party A closely in relation to the progress of the project and submit tenders for the urban renewal projects as appropriate.

Urban Infrastructure Cooperation Framework Agreement

Date of the Urban Infrastructure Cooperation Framework Agreement:	January 10, 2023
Parties:	(1) Customer L is a state-owned enterprise established in the PRC with limited liability and a registered capital of approximately RMB15,000 million, and an asset size of more than RMB80 billion which is based in Tianjin ("**Party B**"). It has a mission to develop the Tianjin Nangang Industrial Zone and serve enterprises duties. It is mainly engaged in property and engineering management, social and economic consulting services, machinery and equipment leasing. It focuses on the investment in land reclamation and land development, construction of municipal infrastructure and other urban service facilities in Tianjin; and (2) the Company. The Company became acquainted with Customer L through Nangang Industrial District Traffic Facilities Construction Project (南港工業區交通設施工程) in 2021, the contract sum of which was RMB12.3 million. During the Track Record Period, the Group participated in two other projects located in Nangang Industrial Zone, that Customer L was the project owner and the Company undertook them as a subcontractor, namely (i) Nangang Industrial Zone Petrochemical Pipeline Project (Phase I) (南港工業區石化管廊項目一標段) in 2021 with a contract sum of RMB12.9 million; and (ii) Nangang Industrial Lighting Transportation Facilities (Phase 2) (南港工業照明交通設施(第二階段)) in 2023 with the contract sum of RMB1.8 million.

Nature of the Urban Infrastructure Cooperation Framework Agreement:	Various construction projects in relation to urban infrastructure construction projects, supporting projects, road projects, water conservancy projects, pipe projects and greening projects, which shall take place in the Tianjin Nangang Industrial Zone in Tianjin.
Term of the Urban Infrastructure Cooperation Framework Agreement:	Effective from April 20, 2023 to April 20, 2029. Separate specific agreements will be entered into for each project awarded to the Group.
Scope of cooperation:	The Group may participate in projects through tenders with an expected aggregated contract amount of up to RMB1.0 billion.

Tianjin Nangang Industrial Zone (天津市南港工業區) is a national level petrochemical industrial zone set up specifically within Tianjin Economic-Technological Development Area. It has a planned area of 200 square kilometers and is set up to improve the downstream industrial chains of new chemical materials, fine chemicals, new energy batteries, clean energy, etc., with an aim to build a world-class new chemical materials industrial base with international competitiveness. In 2009, "Outline of the Beijing Tianjin Hebei Coordinated Development Plan" (《京津冀協同發展規劃綱要》) promulgated by Political Bureau of the CPC Central Committee in 2015 has positioned Tianjin Nangang Industrial Zone as a world-class petrochemical industrial base (世界一流石化產業基地). Subsequent national policies has designated Tianjin Nangang Industrial Zone as the National Strategic Energy Reserve Base (國家能源戰略儲備基地) and a National New Industrial Demonstration Base (Petrochemical Industry) (國家新型工業化示範基地). According to the official website of Customer L, the Tianjin Nangang Industrial Zone had been awarded "Top 10 Potential Chemical Industry Parks in China" (中國化工園區潛力10強). It is also developing into a hub for petrochemical new-materials industry, among other developments. Furthermore, according to the Tianjin Nangang Industrial Zone's "14th Five-Year Plan" (南港工業區「十四五」規劃), it is expected that the production value of the petrochemical manufacturing facilities will reach RMB130 billion. With its strategic positioning and development initiatives, based on the best knowledge and understanding of our Directors, there are multiple construction projects in the area of municipal construction, foundation works, building related construction work and petrochemical engineering works that are in progress or will kickstart from time to time. We will continue to liaise with Customer L closely in relation to relevant and suitable opportunities and submit tenders for projects as appropriate.

The Directors believe that Party A and Customer L entered into the framework agreements with us due to our satisfactory performance in our previous projects with Party A and customer L and our capability, reputation, qualifications and experience in the construction industry, which would bring a positive contribution to the respective projects.

We believe that the sizable demand for infrastructure construction will bring continuous growth in construction industry. As an active participant in the construction market in Tianjin with over a decade of experience, we expect to continue to expand our business scale by capitalizing on the opportunities presented by policies and strategies. Going forward, we will prioritize larger, longer-term and more influential projects while observing the overall profit margin, taking into account the characteristics and influence of each project, to achieve our strategic development goals. However, 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 as we are 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 reach the later stage. During the Track Record Period, our Group generally utilized internal resources as well as advances from our Controlling Shareholders to finance such up-front costs.

We intend to use approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) or [REDACTED] of the [REDACTED] from the [REDACTED] to fund up-front costs required for potential projects that meet our development requirements. For further details, please refer to the section headed "Future Plans and [REDACTED]" in this document.

Focus our business development effort on construction segments supported by government policies

According to the Frost & Sullivan Report, 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 China covering the sectors of transportation, water conservancy, energy facilities, etc. to further improve national basic public services level. Given the expected growth in these related markets and favorable policies, we intend to expand our construction business into high-potential areas such as petrochemicals, new energy, new urban infrastructure construction by fully leveraging our Group's existing strengths, market position and industry experience.

Other than the macroscopic National 14th Five-Year Plan, set out below are the province/city-specific favorable government policies in relation to the relevant construction segments:

- **Tianjin**: Tianjin Commission of Commerce issued the "Tianjin Gas Station Spatial Layout Plan (2021–2035)" (《天津市加油站空間佈局規劃(2021–2035年)》). It is projected that by 2035, the average daily sales volume for each gas station should reach around 13,000 liters, with the total number of gas stations ranging from 1,050 to 1,150. Simultaneously, based on the "Tianjin Provincial Highway Network Plan (2020–2035)" (《省級公路網規劃(2020–2035年)》) the goal by 2035 is to essentially complete a safe, convenient, efficient, green, and economical highway transportation system, forming a national and provincial highway transportation system. In September 2023, the Urban and Rural Construction Committee of Tianjin issued the "Urban Renewal Action Plan for Tianjin (2023–2027)" (《天津市城市更新行動計畫(2023–2027年)》), which outlined the optimization of regional coordinated development and enhanced support for industrial development, with an aim to enhance the urban functions and public services in Binhai New Area.

  In 2023, the Tianjin Development and Reform Commission announced a list of key construction and reserve projects, consisting of 855 projects with a total investment of RMB1.9 trillion. Among the municipal-level key projects for 2023, there are 296 projects with a planned investment of RMB10 billion or more, including 52 projects with an investment of RMB100 billion or more. The plan emphasizes the infrastructure development in 2023, focusing on areas such as energy, transportation, urban construction, industrial parks, and urban renewal. The goal is to enhance the municipal infrastructure system and comprehensively improve the carrying capacity of industrial parks. The report also outlines the construction of high-speed railways, including the projects for the Binhai New Area rail transit lines Z2, Z4, and B1, and the construction of subway lines 4, 7, 8, 10, and 11. Further, Beijing-Tianjin-Tanggu Expressway expansion project with a total investment of RMB14.6 billion was approved in early 2023, and it is expected that the expansion project would advance the development of Tianjin Port and play a leading role in transportation upon completion.

  In November 2023, the People's Government of Tianjin issued "Several Measures to Promote the Growth and Development of the Private Economy" (《關於促進民營經濟發展壯大的若干措施》) aiming to further optimize the environment for the development of the private economy. These measures include increasing policy support for the private economy, strengthening legal protection for the development of the private economy, and establishing lists of major projects, industrial projects, and franchising projects suitable for private capital participation. The initiative involves selecting high-quality projects with a certain level of returns and relatively mature conditions, concentrating efforts on promoting them to private enterprises, supporting private enterprises' participation in state-funded project construction, and establishing an emergency assistance mechanism for private enterprises.

In 2022, the Housing and Urban-Rural Development Department of Tianjin releases annual notices such as the "Notice on Key Points of Quality and Safety Work in Housing and Urban-Rural Construction" (《住房城鄉建設品質安全工作要點的通知》) and the "Notice on Promoting Technology (Product) Projects in the Field of Housing and Urban-Rural Construction" (《住房城鄉建設領域推廣技術(產品)項目的通知》). The key points of quality and safety work in housing and urban-rural construction in Tianjin emphasized responsibility for production safety, strengthening safety control for major construction projects and managing the quality of construction materials. Efforts are also being made to establish a dual prevention mechanism focusing on risk control and the investigation of hidden dangers. In addition, according to the promotion of technology (product) projects in the field of housing and urban-rural construction, Tianjin selects initiatives in line with national, industry, and local guidelines and standards for engineering construction. These initiatives should be advanced, scientifically sound and suitable for widespread use in cities. This further promotes technological innovation in housing and urban-rural construction, accelerating the transformation and upgrading of the construction industry.

- **Guizhou**: In 2023, Guizhou Province has put forward the acceleration of major projects to drive high-quality development. The province has planned over 4,000 major engineering projects with an annual investment target exceeding RMB800.0 billion. In the first quarter of 2023, there is a commitment to considering industrial support and other infrastructure as crucial support, initiating 88 projects with a total investment of RMB31.3 billion. In July 2023, the Guizhou Provincial Development and Reform Commission released the "Implementation Plan for New Urbanization in Guizhou Province (2023–2025)" (《貴州省新型城鎮化實施方案(2023–2025年)》). The policy emphasizes the promotion of high-quality development in the Gui'an New Area. Specific policy documents have been formulated to further accelerate the high-quality development of the Gui'an New Area, supporting deepening reforms, innovation the improvement of transportation networks, and reinforcing land, energy, and funding assurance, with corresponding policy incentives. The policy also mentions advancing urban transformation, constructing livable cities, and improving municipal public facilities.

  In 2023, the official website of the People's Government of Guiyang disclosed responses to various proposals from the Political Consultative Conference (CPPCC). In the reply to the proposal titled "Solve traffic bottlenecks and Alleviate Congestion" (《破解交通瓶頸改善交通擁堵》) it was mentioned that in 2023, Guiyang City aims to open up 15 roads or railways that are not connected to other corresponding road networks. This initiative aims to achieve rapid connectivity between industries and meet the needs of urban economic and social development. In response to the proposal titled "Promoting Smooth Inbound and Outbound Open Channels to Drive High-Quality Development of the Provincial Capital with Transportation" (《關於暢通對內對外開放通道以交通引領助推強省會高品質發展的建議》) Guiyang City stated its intention to promote the speed upgrade and renovation of the Guiyang-Guangzhou high-speed railway, the construction of the new Chongqing-Guiyang high-speed railway, and the addition of a second line to the Guizhou-Guangxi railway. The city plans to reasonably allocate high-quality resources and better leverage the role of transportation in leading and driving development. The response also emphasized the importance of coordination and stated that Guiyang will accelerate the expansion of the Ring Expressway and other major transportation infrastructure projects, addressing traffic bottlenecks problems within the urban area and strengthening connections and cooperation with cities along the route.

The People's Government of Guiyang published the "Implementation Plan for Accelerating the Development of Prefabricated Buildings" (《貴陽市加快發展裝配式建築實施方案》) in 2022. For new construction projects funded by social investment, the proportion of prefabricated building implementation from 2022 to 2025 shall be no less than 30%, 40%, 50%, and 60% respectively. Comprehensive implementation of fully decorated buildings will be carried out. Implement coordinated design and construction of decoration and civil engineering, promote the transformation of traditional decoration companies, provide one-stop services, and meet consumers' personalized needs.

- **Jiangxi**: the Department of Housing and Urban Rural Development in Jiangxi province issued the "Implementation Plan for Consolidating and Enhancing the Safe Production Management of Housing and Municipal Public Construction Projects in Jiangxi Province" (《江西省房屋市政工程安全生產治理行動鞏固提升實施方案》) in 2023. The work objectives focus on identifying the safety hazards in housing and municipal public construction projects. The department aims to effectively preventing and mitigating various risks and hazards. Efforts will be made to enhancing regulatory efficiency and promoting the digital transformation of construction safety supervision.

  In 2023, Jiangxi Province is prioritizing the advancement of 3,558 large and medium-sized construction projects. This represents an increase of 103 projects compared to 2022, marking an annual growth rate of 3.0% from 2022. The total investment for 2023 is RMB4.6 trillion, showing an increase of RMB777.5 billion compared to 2022, reflecting an annual growth rate of 20.5%. The projects primarily focus on the infrastructure sector, with a particular emphasis on implementing 854 large and medium-sized projects in transportation, energy, water conservancy, municipal infrastructure, etc., amounting to a total investment of RMB1,169.8 billion. Additionally, there are projects in the field of industrial upgrading, with a focus on machinery manufacturing, electronic information, and others. Beyond that, there are also initiatives in the public services and ecological environmental protection sectors.

In the same year, Department of Housing and Urban Rural Development in Jiangxi province also released the "Three-Year Action Plan for Digital Housing and Urban-Rural Development" (《江西省「數位住建」建設三年行動計劃》). The policy plan aims to significantly enhance the application of digital technology capabilities in the housing and urban-rural development sector throughout the province by the end of 2023. By the end of 2025, the province intends to achieve a leading level of digital technology application capabilities in the housing and urban-rural development sector, ensuring "a unified platform, data sharing, and collaborative efficiency" across various industries. This will involve establishing a provincial housing and urban-rural development big data center, as well as the development of the City Information Model (CIM) foundational platform and Building Information Model (BIM) technology platform. Additionally, the plan aims to promote "digital＋" research and application in various fields such as urban health assessment, urban safety, and smart construction.

According to the 2023 Nanchang Government Report, Nanchang City will continue to promote high-quality economic development and expand effective investment in 2023. It emphasizes strengthening investment attraction across the entire industrial chain and prioritizing the advancement of 650 major key projects in the city, with an annual planned investment of RMB225.0 billion. The report also underscores the acceleration of significant infrastructure construction, with continued efforts to advance major projects such as Hongzhou Bridge, Fuxing Bridge, Longxing Bridge, Nanchang East Station, etc. Also, the report outlines the commitment to further improve urban functional support, comprehensively advance the construction of a sponge city, and achieve a construction area exceeding 42.0% for sponge city development within the urban area. Additionally, there are plans to undertake the transformation of 303 old urban residential communities.

- **Shaanxi**: In early 2023, Shaanxi Province announced its annual key project plan, which includes 643 provincial key projects with a total investment of RMB2,035.6 billion. The annual investment is planned to be RMB481.8 billion. Within the significant infrastructure advancement projects, there are 41 ongoing projects and 29 new projects, including the construction of Metro Lines 8 and 10, the Dongzhuang Water Conservancy Hub, and power substation projects.

  In the 2023 government report of Xi'an, it was proposed to adhere to the leadership of constructing the national central city, with a clear task of optimizing the urban spatial layout in 2023. Initiatives include commencing projects such as the northward extension of Beichen Avenue. Support will be provided for the innovative development of Xixian New Area, and efforts will be intensified to advance the planning, design, and road improvement in the eastern of the city. The report also emphasizes the acceleration of the construction of six subway lines, with three new subway lines to be opened, surpassing a total operational mileage of 300 kilometers. Additionally, in 2023, 26 new and expanded primary and secondary schools and kindergartens are planned for construction. Simultaneously, Shaanxi Province is gradually promoting the construction of the Xi'an metropolitan circle, which includes enhancing transportation connectivity, expediting comprehensive transformation and improvement projects such as the Century Avenue.

The local government of Shaanxi Province has issued a series of policies and regulations to encourage and promote the development of the construction industry. General Office of the People's Government of Shaanxi Province published the "Implementation Suggestions for Promoting High-Quality Development in the Construction Industry" (《關於推動建築業高品質發展的實施意見》) in 2022. By 2025, there will be significant progress in the development of intelligent construction. Efforts will be made to continuously optimize the industry structure. The quality assurance system will be further enhanced. Simultaneously, efforts will be made to establish overseas development platforms for companies within the province and support construction company in undertaking foreign contracting projects.

In 2023, the People's Government of Shaanxi Province published the "Implementation Opinions on Carrying Out the Outline for Building a Powerful Country with Quality" (《陝西省關於貫徹落實《品質強國建設綱要》的實施意見》). It aims to implement quality improvement projects for construction, carry out quality demonstration project creation activities, raise the quality level of construction materials, and strengthen the assurance of engineering quality. Actively promote general contracting for projects, improve technical standards for engineering consulting services such as supervision and cost estimation, and provide products that are functional, economically, and reliable. Enhance the integration and innovative application of new technologies such as big data and Building Information Modeling (BIM), promoting the upgrading of the construction industry towards industrialization, digitization, and intelligence.

Petrochemical engineering

With our first-grade qualification in petrochemical engineering construction general contracting* (石油化工工程施工總承包壹級資質) and other relevant construction qualifications, we possess the capability to develop and undertake a wide range of petrochemical engineering projects, such as public and industrial pipe construction, by fully exploring and seizing opportunities arising from favorable market conditions. During the Track Record Period, we undertook a total of 28 petrochemical engineering projects with a total revenue of RMB38.8 million, with contract amount ranging from RMB16,600 to RMB18.1 million. The Group has been participating in petrochemical engineering projects in Nanchang since 2020 and has further expanded its operations to other parts of Jiangxi Province.

The possession of such first-grade qualification in petrochemical engineering construction would enable the Group to undertake all categories of petrochemical engineering construction projects, including "large scale petrochemical engineering projects", "medium scale petrochemical engineering projects" and other petrochemical engineering projects as provided under the Qualification Standards of Construction Enterprises (《建築業企業資質標準》). During the Track Record Period, the Group has participated in tenders for and has successfully obtained certain petrochemical engineering projects which require first-grade qualifications in petrochemical engineering construction, such as the Fengxi New City Natural Gas High-pressure Gas Supply Pipeline Project (Phase II) (灃西新城天然氣高壓供氣管道工程二標段) in Shaanxi Province and the Tianjin Nangang LNG Emergency Reserve Project (天津南港LNG應急儲備項目) in Tianjin. Going forward, the Group believes that it will be able to obtain different categories of petrochemical engineering construction projects from large petrochemical corporations by leveraging its first-grade qualification in petrochemical engineering construction. As the Group possesses the knowledge and skills, the personnel with the required qualifications and experience, and has proven track record in petrochemical engineering construction, the Directors consider that the Group has higher chances in securing different categories of petrochemical engineering construction projects and achieve revenue growth. Besides, the possession of first-grade qualifications including petrochemical engineering construction enhances the reputation and credibility of the Group which would in turn allow the Group to take part in more multiphase, larger scale and high-profile projects in those areas which may require the contractor to possess various qualifications at the same time to cater for needs of the development.

New energy engineering

According to the Frost & Sullivan Report, the "14th Five-Year Plan on Renewable Energy Development" (《「十四五」可再生能源發展規劃》), jointly issued by nine ministries, including the NDRC and the National Energy Administration, proposes to coordinate the promotion of green hydrogen terminal supply facilities and capacity construction and increase the proportion of green hydrogen used in the transportation sector. With the continuous introduction of policies encouraging hydrogen energy development by local governments and the increasing penetration rate of hydrogen fuel vehicles in the transportation sector, it is expected that the construction of hydrogen energy stations in the PRC will grow rapidly. Leveraging our experience in participating in the construction of hydrogen energy stations during the Track Record Period, we will actively participate in the construction of related projects for the application of renewable energy in the transportation sector.

New urban infrastructure construction

During the Track Record Period, we participated in multiple intelligent building construction projects and smart city related projects, thereby accumulating extensive experience in industrial expansion and project operation. According to Frost & Sullivan, intelligent building is a term commonly used in the construction industry. It refers to an optimal integration of a building's structure, systems, services, and management using modern information technology and other related technological methods to meet the needs of users, and aims to provide a humanized building environment that is safe, comfortable, and convenient. According to the Frost & Sullivan Report, the "14th Five-Year Urban Infrastructure Construction Plan" (《「十四五」全國城市基礎設施建設規劃》) proposes to promote the systematic construction of urban infrastructure, improve the operational efficiency of urban infrastructure comprehensively, create joint contribution and shared benefits environment, and promote the formation of a new pattern of coordinated development between urban and rural areas. The plan also sets the percentage of investment in urban infrastructure construction to the total fixed asset investment in the society at no less than 8%, which is higher than the approximately 6.7% as stipulated in the "13th Five-Year Plan". Therefore, we believe that there will still be considerable market potential in the construction sector during the 14th Five-Year Period. Leveraging our Group's experience, we believe that we can actively integrate into national strategies while maintaining our current market position, seize regional development opportunities and advance our advantageous position.

We intend to use approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) or approximately [REDACTED] from the [REDACTED] of the [REDACTED] to acquire and invest in other construction companies that focus on petrochemical engineering, new energy engineering or new urban infrastructure construction, which hold the relevant licenses or qualifications to undertake such works. For further details, please refer to the section headed "Future Plans and [REDACTED]" in this document.

Expand our business in other regions of the PRC

During the Track Record Period and up to the Latest Practicable Date, we are headquartered in Tianjin and primarily based our operation in Tianjin. Notwithstanding that the majority of our projects were carried out in, and a considerable part of revenue was generated from, Tianjin during the Track Record Period, we also bid and were awarded projects outside Tianjin in cities such as Nanchang, Xi'an and Guiyang during the Track Record Period. Our revenue generated from our construction projects in regions outside Tianjin accounted for 7.1%, 2.6% and 13.4% of our total revenue generated from construction projects for the years ended December 31, 2021, 2022 and 2023, respectively. Based on our past experiences in undertaking construction projects in regions outside Tianjin, our Directors believe that it would be favorable and feasible for our Company to capture the local business opportunities to further expand our footprint and establish business presence in regions outside Tianjin.

According to Frost & Sullivan, (i) the output value of construction industry in Shaanxi province reached approximately RMB1,006.8 billion in 2022 and ranked fourth in terms of output value of construction industry among all provinces in China, and is expected to reach approximately RMB1,376.2 billion in 2027 at a CAGR of 6.5%; (ii) the output value of construction industry in Jiangxi province witnessed a rapid increase from approximately RMB699.3 billion in 2018 to approximately RMB1,069.5 billion in 2022 at a CAGR of 11.2% and is expected to increase to approximately RMB1,552.5 billion in 2027 at a CAGR of 7.7%; and (iii) the output value of construction industry in Guizhou province increased from approximately RMB333.0 billion in 2018 to approximately RMB426.0 billion in 2022 at a CAGR of 6.4% and is expected to reach approximately RMB543.2 billion in 2027 at a CAGR of 5.0%. For further details, please refer to the section headed "Industry Overview" in this document.

Based on the above, we intend to establish branch offices or representative offices in Xi'an, Nanchang and Guiyang in the near future to facilitate our communication with customers or potential customers in Shaanxi province, Jiangxi province and Guizhou province with an aim of better understanding the service needs of our customers, obtaining more construction projects in these regions, and providing timely and responsive services to local customers.

We intend to use approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) or approximately [REDACTED] from the [REDACTED] of the [REDACTED] to establish local branch offices in regions outside Tianjin and expand our business presence in more cities in the PRC. For further details, please refer to the section headed "Future Plans and [REDACTED]" in this document.

Further enhance our R&D capabilities

We believe that our efforts in R&D will not only enhance our capability to develop new technologies and software but also improve our service quality, construction efficiency and market competitiveness, which would ultimately contribute to the expansion of our business scale and the improvement of our operating results. During the Track Record Period, we continuously invested in our construction project management software to enhance our technology capabilities and streamline our construction projects. In the future, we will further invest in R&D infrastructure to strengthen our technology advantages.

We plan to recruit more experienced R&D personnel with relevant track record in both software development and construction industry with the aim to accelerate the transformation of scientific research results.

Furthermore, we will seek to collaborate with reputable domestic universities to conduct research to keep abreast of technology innovation in the industry, so as to timely enhance our ability to acquire new construction technologies and improve our Group's existing digital management software. We will also invest in various equipment and software necessary to conduct such research.

Our increased investment in R&D capabilities and technological innovation will enable us to enhance our construction capability and technological advantages, and allow us to prospectively and timely respond to the ever-changing needs of our customers, and ultimately lead to the quality of our services. In light of this, we intend to allocate approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) or approximately [REDACTED] of the [REDACTED] from the [REDACTED] to enhance our R&D capabilities, including (i) purchasing hardware and equipment to upgrade and improve our Jiexiao System; (ii) recruiting competent and competitive professionals to lead our R&D activities; and (iii) purchasing software for upgrading and improving functionality of our Jiexiao System.

OUR BUSINESS MODEL

The services we provide can be broadly divided into four business types in terms of their nature, namely (i) municipal public construction works; (ii) foundation works; (iii) building construction related works; and (iv) petrochemical engineering works. We have also unified and centralized management of our Group's construction projects by applying our self-developed management software, thereby helping to enhance the cost efficiency of our Group.

The following table sets forth a breakdown of revenue by types of construction services for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Municipal public construction works	144,712	52.6	86,469	30.0	186,201	58.3
— Traffic facilities construction	50,048	18.2	3,683	1.3	43,980	13.8
— Road construction	94,664	34.4	82,786	28.7	142,221	44.5
Foundation works	89,153	32.4	20,476	7.1	83,265	26.1
— Foundation construction	84,373	30.7	20,287	7.0	38,027	11.9
— Earthwork	4,780	1.7	189	0.1	45,238	14.2
Building construction related works	19,236	7.0	171,286	59.5	41,155	12.9
Petrochemical engineering works	21,703	8.0	8,918	3.1	8,195	2.5
Other(1)	140	*	811	0.3	621	0.2
Total	274,944	100.0	287,960	100.0	319,437	100.0

* *less than 0.1*

Note:

(1) Our other revenue included service income generated from the provision of software services such as usage of the Jiexiao System. During the Track Record Period, we provided software services in relation to the Jiexiao System to external parties such as our suppliers and other market users while charging them with platform subscription fee and other services fee. For details of the Jiexiao System, please refer to "— Intellectual Property — Our Jiexiao System" in this section.

We have been focusing mainly on municipal public construction works since our establishment and the increase of our revenue contribution from building construction related works for the year ended December 31, 2022 was mainly because we undertook 10 out of 11 building construction related projects in relation to the overall renovation and remodeling of the Tianjin municipal government subsidized apartments (the "**Tianjiang Apartment Projects (天江公寓項目)**") in the second half of 2022. We became aware of the Tianjiang Apartment Projects when the relevant government authority published the registration of the Tianjiang Apartment Projects in early August of 2022, and were being notified to participate in the tendering for such projects from late August of 2022 onwards. We were awarded with the Tianjiang Apartment Projects in the second half of 2022 by way of tender. Our PRC Legal Adviser is of the view that, based on relevant bid and tender materials as well as other relevant documents reviewed, the award of the Tianjiang Apartment Projects to our Group was in compliance with the Bid Invitation and Bidding Law of the PRC (中華人民共和國招標投標法) and other relevant tender laws and regulations. The projects were classified as subsidized housing and health station emergency projects by the municipal government in response to COVID-19 at the time and we were required to complete the projects within a tight contract schedule. The Group therefore focused on and deployed most of its resources on the Tianjiang Apartment Projects (天江公寓項目) and undertook fewer projects of other construction types in 2022, leading to a significant increase in the revenue generated from building construction related works. After the substantial completion of construction works for Tianjiang Apartment Projects in late 2022, for the year ended December 31, 2023, our revenue generated from municipal public construction works accounted for 58.3% of our total revenue and was our largest segment in the period.

As we are a construction group offering comprehensive construction services and possesses the relevant qualifications in general contracting qualifications in municipal public construction works, building construction works, petrochemical engineering works and highway construction works, we are able to accommodate the market demand at different times and can undertake construction projects in all its four segments. On the basis of continuing its focus on municipal public construction, we will try to seize all available business opportunities and participate in projects within our capacity. It is expected that we will continue to maintain this business strategy going forward.

During the Track Record Period, we performed Tianjiang Apartment Projects (天江公寓項目) for three customers (being Xintai Zhihui (Tianjin) Technology Company Limited* (鑫泰智慧(天津)科技有限公司) ("**Xintai Zhihui**"), Customer C and Customer Z), which consisted of 11 building construction related projects. Among those 11 projects, three were material procurement projects and were related to our provision of construction services to these customers. We entered into those material procurement contracts based on our customers' requests. Xintai Zhihui is a private enterprise established in the PRC with limited liability and a registered capital of approximately RMB76 million. It is mainly engaged in construction design, building renovation and decoration. Customer Z is a private enterprise established in the PRC with limited liability and a registered capital of approximately RMB102 million. It is mainly engaged in building engineering construction, electric power engineering construction and landscaping engineering construction.

Customer C is one of our top five customers during the Track Record Period. For further details of Customer C, please refer to" — Customers, Sales and Marketing — Customers" in this section.

The revenue recognized for provision of material procurement services to Xintai Zhihui, Customer Z and Customer C amounted to RMB24.9 million, RMB3.8 million and RMB0.1 million, respectively, for the year ended December 31, 2022 and RMB6.1 million, RMB1.4 million and RMB2.8 million, respectively, for the year ended December 31, 2023. As we only commenced those three material procurement projects in 2022, no revenue was recognized from the material procurement projects for the year ended December 31, 2021.

The revenue recognized for the construction services from Xintai Zhihui, Customer Z and Customer C amounted to nil, nil and RMB3.1 million respectively, for the year ended December 31, 2021; RMB20.7 million, RMB3.2 million and RMB94.4 million respectively, for the year ended December 31, 2022; and RMB0.5 million, RMB0.2 million and RMB63.8 million respectively, for the year ended December 31, 2023.

The following table sets forth the breakdown of our revenue generated from our provision of construction services by geographic location for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Revenue	**% of revenue generated from construction projects[1]**	**Revenue**	**% of revenue generated from construction projects[1]**	**Revenue**	**% of revenue generated from construction projects[1]**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Tianjin	255,236	92.9	279,685	97.4	276,156	86.6
Shaanxi	1,586	0.6	195	0.1	19,662	6.2
Guizhou	—	—	1,007	0.3	6,112	1.9
Jiangxi	5,143	1.9	6,262	2.2	2,823	0.9
Shandong	5,916	2.1	—	—	—	—
Liaoning	5,000	1.8	—	—	—	—
Anhui	1,923	0.7	—	—	—	—
Hebei	—	—	—	—	14,063	4.4
Total	**274,804**	**100.0**	**287,149**	**100.0**	**318,816**	**100.0**

Note:

(1) Our total revenue generated from construction projects included revenue generated from municipal public construction works, foundation works, building construction related works and petrochemical engineering works during the Track Record Period.

The following table sets forth a breakdown of our revenue and gross profit of construction services by nature of our projects for the periods indicated:

	Year ended December 31,														
	2021					2022					2023				
	Revenue	% of revenue generated from construction projects[1]	Gross profit	Gross profit margin	% of gross profit generated from construction projects[1]	Revenue	% of revenue generated from construction projects[1]	Gross profit	Gross profit margin	% of gross profit generated from construction projects[1]	Revenue	% of revenue generated from construction projects[1]	Gross profit	Gross profit margin	% of gross profit generated from construction projects[1]
	RMB'000	%	*RMB'000*	%	%	*RMB'000*	%	*RMB'000*	%	%	*RMB'000*	%	*RMB'000*	%	%
Public	208,472	75.9	57,348	27.5	80.1	230,528	80.3	60,416	26.2	84.2	187,463	58.8	45,931	24.5	57.6
Private	66,332	24.1	14,218	21.4	19.9	56,620	19.7	11,368	20.1	15.8	131,353	41.2	33,754	25.7	42.4
Total	**274,804**	**100.0**	**71,566**	**26.0**	**100**	**287,148**	**100.0**	**71,784**	**25.0**	**100**	**318,816**	**100.0**	**79,685**	**25.0**	**100.0**

Note:

(1) Our total revenue generated from construction projects included revenue generated from municipal public construction works, foundation works, building construction related works and petrochemical engineering works during the Track Record Period.

During the Track Record Period, our revenue contribution from public projects decreased from 75.9% for the year ended December 31, 2021 to 58.8% for the year ended December 31, 2023. Our Directors are of the view that the shift of revenue contribution was due to the nature of our industry, which our projects were primarily obtained through tendering and were awarded on a one-time basis. Given that the expertise and knowhow required for public and private projects are similar, and we possess a wide range of construction qualifications and licenses that allow us to provide comprehensive construction services, we try to seize all available business opportunities and participate in projects within our capacity regardless of the nature of the projects. We will continue to maintain this business strategy going forward.

During the Track Record Period, we undertook projects as a main contractor or a subcontractor in our construction services projects. The following table sets forth the revenue and gross profit breakdown by our role of our projects during the Track Record Period:

	Year ended December 31,														
	2021					2022					2023				
	Revenue	% of revenue generated from construction projects[(1)]	Gross Profit	Gross profit margin	% of gross profit generated from construction projects[(1)]	Revenue	% of revenue generated from construction projects[(1)]	Gross Profit	Gross profit margin	% of gross profit generated from construction projects[(1)]	Revenue	% of revenue generated from construction projects[(1)]	Gross Profit	Gross profit margin	% of gross profit generated from construction projects[(1)]
	RMB'000	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*%*
Main Contractor	160,267	58.3	42,550	26.5	59.5	93,121	32.4	19,518	21.0	27.2	183,397	57.5	50,341	27.4	63.2
Subcontractor	114,537	41.7	29,016	25.3	40.5	194,027	67.6	52,266	26.9	72.8	135,419	42.5	29,344	21.7	36.8
Total	**274,804**	**100.0**	**71,566**	**26.0**	**100.0**	**287,148**	**100.0**	**71,784**	**25.0**	**100.0**	**318,816**	**100.0**	**79,685**	**25.0**	**100.0**

Note:

(1) Our total revenue generated from construction projects included revenue generated from municipal public construction works, foundation works, building construction related work and petrochemical engineering works during the Track Record Period.

Municipal public construction works

During the Track Record Period, the majority of our revenue was derived from the municipal public construction works. Our municipal public construction works mainly include road construction and traffic facilities construction. The customers of our municipal public construction works are mainly government authorities and state-owned enterprises. During the Track Record Period, we were awarded 23, seven and 11 municipal public construction projects, respectively. As of December 31, 2023, we had 13 ongoing municipal public construction projects.

Foundation works

We provide foundation works services, which mainly included foundation construction and earthworks. We have first-grade qualification in foundation construction professional contracting* (地基基礎工程專業承包一級資質). Our customers for foundation works are mainly state-owned enterprises and private enterprises. During the Track Record Period, we were awarded two, four and three foundation works projects, respectively. As of December 31, 2023, we had four ongoing foundation works projects.

Building construction related works

We provide building construction related works services, mainly including building renovation and decoration and intelligent building construction. Our customers for building construction related works are mainly government authorities, state-owned enterprises and private enterprises. During the Track Record Period, we were awarded 25, 13 and three building construction related projects, respectively. As of December 31, 2023, we had eight ongoing building construction related projects.

Petrochemical engineering works

We provide petrochemical engineering works services[Note], which refer to construction works involving petrochemical processes or petrochemical plants, and we mainly undertook filling station upgrading and renovation, pipe installation and oil tank overhaul projects during the Track Record Period. We have the first-grade qualification in petrochemical engineering construction general contracting* (石油化工工程施工總承包壹級資質). Our customers for petrochemical engineering works are mainly state-owned enterprises. During the Track Record Period, we were newly awarded 11, seven and seven petrochemical engineering projects, respectively. As of December 31, 2023, we had two ongoing petrochemical engineering projects.

Note: According to the Qualification Standards of Construction Enterprises (《建築業企業資質標準》) for construction industry enterprises, petrochemical engineering refers to main projects such as oil and gas field surface, oil and gas storage and transportation (pipelines, storage warehouses, etc.), petrochemical, chemical, coal chemical, and relevant production auxiliary projects.

The following table sets forth details of the movements of the number of ongoing construction projects and completed construction projects of our Group by project type during the Track Record Period:

	Municipal public construction works		Foundation works		Building construction related works		Petrochemical engineering works		Total	
	Number of contracts attributed	Contract amount(2)	Number of contracts attributed	Contract amount(2)	Number of contracts attributed	Contract amount(2)	Number of contracts attributed	Contract amount(2)	Number of contracts attributed	Contract amount(2)
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*
For the year ended December 31, 2021										
Opening ongoing construction projects	17	87,843	3	66,610	6	8,988	3	3,813	29	167,254
Add: Newly contracted construction projects	23	170,215	2	56,472	25	29,804	11	17,618	61	274,109
Less: Completed construction projects(1)	28	77,886	1	47,782	25	13,047	8	13,798	62	152,513
Closing ongoing construction projects	12	180,172	4	75,300	6	25,745	6	7,633	28	288,850
For the year ended December 31, 2022										
Opening ongoing construction projects	12	180,172	4	75,300	6	25,745	6	7,633	28	288,850
Add: Newly contracted construction projects	7	34,890	4	18,563	13	169,104	7	24,359	31	246,916
Less: Completed construction projects(1)	7	114,422	3	59,549	10	80,734	9	8,825	29	263,530
Closing ongoing construction projects	12	100,640	5	34,314	9	114,115	4	23,167	30	272,236
For the year ended December 31, 2023										
Opening ongoing construction projects	12	100,640	5	34,314	9	114,115	4	23,167	30	272,236
Add: Newly contracted construction projects	11	193,046	3	87,065	3	13,197	7	3,177	24	296,485
Less: Completed construction projects(1)	10	188,016	4	64,624	4	49,427	9	4,426	27	306,492
Closing ongoing construction projects	13	105,670	4	56,755	8	77,885	2	21,918	27	262,229

Notes:

1. Completion date was based on (i) the date of the project completion inspection report issued by our customers or their authorized persons; or (ii) the date when the contract value has been recognized in full as revenue. "Completed construction projects" refer to projects which the construction works are fully completed during such period, the amount being deducted in the above table represents the contract value of such projects.

2. The contract amount does not include VAT and variation orders.

Completed construction projects

As of December 31, 2023, we completed 118 construction projects with a total contract amount (excluding variation orders) of RMB722.5 million during the Track Record Period. The following table sets forth information on the top 10 construction projects completed by our Group as of December 31, 2023 (based on the total revenue recognized during the Track Record Period):

Ranking	Project name	Customer	Project type	Project description	Project location	Commencement date	Completion date[1]	Approximate project period	Contract amount[2]	Revenue recognized prior to the Track Record Period	Revenue recognized for the year ended December 31, 2021	Revenue recognized for the year ended December 31, 2022	Revenue recognized for the year ended December 31, 2023	Total revenue recognized during the Track Record Period
									RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
1	Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)	Municipal public construction works	Road surface works	Binhai New Area, Tianjin	May 2021	November 2022	19 months	90,985	–	49,178	41,807	–	90,985
2	Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段)	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)	Municipal public construction works	Road surface works	Binhai New Area, Tianjin	August 2023	November 2023	4 months	55,714	–	–	–	55,714	55,714
3	Tianjin Nangang Foundation Pre-treatment Project (天津南港地基預處理項目)	Customer E	Foundation works	Foundation construction work	Binhai New Area, Tianjin	March 2021	September 2021	7 months	47,769	–	47,769	–	–	47,769
4	Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程)	Customer B	Foundation works	Earthworks	Binhai New Area, Tianjin	August 2023	December 2023	4 months	43,733	–	–	–	43,733	43,733
5	Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段)	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)	Municipal public construction works	Road construction	Binhai New Area, Tianjin	April 2023	July 2023	4 months	39,339	–	–	–	39,339	39,339
6	Tianjin Nangang LNG Emergency Reserve Project (天津南港LNG應急儲備項目)	Customer H	Municipal public construction works	Water supply and drainage	Binhai New Area, Tianjin	June 2021	April 2023	23 months	35,355	–	16,107	18,251	997	35,355
7	Wuyi Yangguang Piling Project (五一陽光樁基項目)	Customer F	Foundation works	Pile foundation works	Wuqing District, Tianjin	November 2018	January 2022	39 months	38,258	3,482	34,728	48	–	34,776

Ranking	Project name	Customer	Project type	Project description	Project location	Commencement date	Completion date[(1)]	Approximate project period	Contract amount[(2)]	Revenue recognized prior to the Track Record Period	Revenue recognized for the year ended December 31, 2021	Revenue recognized for the year ended December 31, 2022	Revenue recognized for the year ended December 31, 2023	Total revenue recognized during the Track Record Period
									RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
8	Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程)	Xintai Zhihui	Building construction related works	Electrical and mechanical equipment procurement	Binhai New Area, Tianjin	September 2022	December 2023	16 months	30,976	—	—	24,904	6,072	30,976
9	Construction of Temporary Parking Lot at Wangzi East Area No. 10 (10號汪子東區臨時停車場工程)	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)	Municipal public construction works	Road surface works	Binhai New Area, Tianjin	December 2023	December 2023	1 month	27,757	—	—	—	27,757	27,757
10	Decoration and Renovation Professional Subcontracting Project of Tianjiang Apartment Affordable Rental Housing Improvement and Renovation Project — Jianfa (天江公寓裝修專業分包 — 建發)	Customer C	Building construction related works	Building decoration and renovation	Binhai New Area, Tianjin	September 2022	November 2023	15 months	22,090	—	—	16,815	5,275	22,090

Notes:

1. Completion date was based on (i) the date of the project completion inspection report issued by our customers or their authorized persons; or (ii) the date when revenue is recognized in full for the contract amount as amended from time to time.

2. The contract amount does not include VAT.

Ongoing construction projects

As of December 31, 2023, we had 27 ongoing construction projects with a total contract amount (excluding variation orders) of RMB262.2 million. The following table sets forth information regarding the top 10 ongoing construction projects undertaken by our Group as of December 31, 2023 (based on the total revenue recognized during the Track Record Period):

Ranking	Project name	Customer	Project type	Project description	Project location	Commencement date	Expected Completion Date[(1)]	Approximate project period	Contract amount[(2)]	Revenue recognized prior to the Track Record Period	Revenue recognized for the year ended December 31, 2021	Revenue recognized for the year ended December 31, 2022	Revenue recognized for the year ended December 31, 2023	Total revenue recognized during the Track Record Period	Revenue expected to be recognized for the year ending December 31, 2024[(3)]
									RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1	Outdoor Professional Subcontracting Project of Tianjiang Apartment Project (天江公寓室外工程專業分包)	Customer C	Building construction related works	Pipe construction works	Binhai New Area, Tianjin	September 2022	January 2024	17 months	31,363	–	–	18,194	13,110	31,304	59
2	Professional Subcontracting of Pile Foundation Works for Tianjin Shuren Secondary and Higher Specialized School Project (天津市樹人中等、高等專科學校樁基礎工程專業分包)	Customer C	Foundation works	Pile foundation works	Baodi District, Tianjin	October 2023	December 2024	15 months	32,668	–	–	–	27,876	27,876	4,792
3	Engineering and Social Infrastructure Construction Projects in High-Tech Area (Phase II) (高新區兩類設施建設工程二期)	Customer D	Municipal public construction works	Traffic facilities construction	Xiqing District and Binhai New Area, Tianjin	June 2021	December 2024	43 months	30,244	–	11,835	1,323	11,083	24,242	6,002
4	Tianjiang Apartment Decoration Professional Subcontracting – Binhai Construction (天江公寓裝修專分包 – 濱海建設)	Customer C	Building construction related works	Building decoration and renovation	Binhai New Area, Tianjin	November 2022	February 2024	16 months	17,040	–	–	15,867	1,135	17,002	38
5	Infrastructure Construction Project of Nandaigang Coastal Industrial Park – South Erjing Road (南大港濱海產業園區基礎設施建設項目 – 二經路南路)	Cangzhou Bohai New District South Dagang Industrial Park Construction, Transportation and Environmental Protection Management Center (滄州渤海新區南大港產業園區建設交通環保管理中心)	Municipal public construction works	Traffic facilities construction	Cangzhou, Hebei	August 2023	July 2024	12 months	24,166	–	–	–	12,757	12,757	11,409
6	Tianjian Apartment Low Voltage Professional Construction Contracting – Jianfa (天江公寓弱電專業分包 – 建發)	Customer C	Building construction related works	Intelligent building construction	Binhai New Area, Tianjin	September 2022	January 2024	17 months	11,940	–	–	11,065	863	11,928	12
7	Xincheng Jiayuan Comprehensive Environmental Improvement Project (新城家園小區環境綜合整治工程)	Customer C	Building construction related works	Building decoration and renovation	Binhai New Area, Tianjin	February 2022	March 2024	26 months	16,630	–	–	9,320	–	9,320	7,310

Ranking	Project name	Customer	Project type	Project description	Project location	Commencement date	Expected Completion Date[1]	Approximate project period	Contract amount[2]	Revenue recognized prior to the Track Record Period	Revenue recognized for the year ended December 31, 2021	Revenue recognized for the year ended December 31, 2022	Revenue recognized for the year ended December 31, 2023	Total revenue recognized during the Track Record Period	Revenue expected to be recognized for the year ending December 31, 2024[3]
									RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
8	Tianjin Port Free Trade Zone Berth 1C Rear Yard Project (天津港保稅區1C泊位後方堆場工程)	Customer N	Building construction related works	Building and ancillary facilities construction	Binhai New Area, Tianjin	October 2023	April 2024	7 months	9,633	–	–	–	6,676	6,676	2,957
9	Tianjin Subway, Line 11 Earthworks Project (天津地鐵11號線土石工程項目)	Customer K	Foundation works	Earthworks	Dongli District, Tianjin	March 2020	March 2024	49 months	14,591	6,941	3,908	182	1,505	5,595	2,055
10	New City Natural Gas High-pressure Gas Supply Pipeline Project (Phase II) (灃西新城天然氣高壓供氣管道工程二標段)	Customer O	Petrochemical engineering works	Natural gas high pressure gas supply pipeline construction	Xianyang, Shaanxi	May 2023	December 2024	20 months	8,131	–	–	–	4,884	4,884	3,247

Notes:

1. Expected completion date was based on the respective contract or progress schedule amended from time to time.

2. The contract amount does not include VAT.

3. The amount is only an estimate and is subject to change due to actual progress and completion date of the projects.

Major construction projects

The following table sets forth our top 10 construction projects by revenue contribution during the Track Record Period:

For the year ended December 31, 2021

Ranking	Project name	Customer	Project type	Project description	Project location	Total revenue recognized for the year	% of total revenue for the year
						RMB'000	*%*
1	Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)	Municipal public construction works	Road surface works	Binhai New Area, Tianjin	49,178	17.9
2	Tianjin Nangang Foundation Pre-treatment Project (天津南港地基預處理項目)	Customer E	Foundation works	Foundation construction works	Binhai New Area, Tianjin	47,769	17.4
3	Wuyi Yangguang Piling Project (五一陽光樁基項目)	Customer F	Foundation works	Pile foundation works	Wuqing District, Tianjin	34,728	12.6
4	Hangu East Expansion Project (漢沽東擴區項目)	Customer G	Municipal public construction works	Traffic facilities construction	Binhai New Area, Tianjin	18,728	6.8
5	Tianjin Nangang LNG Emergency Reserve Project (天津南港LNG應急儲備項目)	Customer H	Municipal public construction works	Water supply and drainage	Binhai New Area, Tianjin	16,107	5.9
6	Nangang Industrial District Traffic Facilities Construction Project (南港工業區交通設施工程)	Customer L	Municipal public construction works	Traffic facilities construction	Binhai New Area, Tianjin	12,253	4.5

Ranking	Project name	Customer	Project type	Project description	Project location	Total revenue recognized for the year	% of total revenue for the year
						RMB'000	*%*
7	Engineering and Social Infrastructure Construction Projects in High-Tech Area (Phase II) (高新區兩類設施建設工程二期)	Customer D	Municipal public construction works	Traffic facilities construction	Xiqing District and Binhai New Area, Tianjin	11,835	4.3
8	Huaze Weiye New Factory Construction Project (華澤偉業新建廠房項目)	Tianjin Huaze Weiye Technology Company Limited* (天津市華澤偉業科技有限公司)	Building construction related works	Industry construction	Xiqing District, Tianjin	7,556	2.8
9	Rizhao Station 3# Tank Overhaul Project (日照站3#罐大修項目)	Customer M	Petrochemical engineering works	Oil tank overhaul	Lanshan District, Rizhao City, Shandong Province	5,916	2.2
10	Zecheng Garden Pipe Network and Pump Room Installation Project (澤城花園管網及泵房安裝工程)	Tianjin Binlong Geothermal Energy Company Limited* (天津濱隆地熱能源有限公司)	Municipal public construction works	Heat supply pipe work	Binhai New Area, Tianjin	5,107	1.9

For the year ended December 31, 2022

Ranking	Project name	Customer	Project type	Project description	Project location	Total revenue recognized for the year	% of total revenue for the year
						RMB'000	*%*
1	Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)	Municipal public construction works	Road surface works	Binhai New Area, Tianjin	41,807	14.5
2	Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程)	Xintai Zhihui	Building construction related works	Electrical and mechanical equipment procurement	Binhai New Area, Tianjin	24,904	8.7
3	Xintai Mechanical and Electrical Labor Subcontracting for Tianjiang Apartment Project — Jianfa (天江公寓鑫泰機電勞務分包 — 建發)	Xintai Zhihui	Building construction related works	Electricity and equipment installation	Binhai New Area, Tianjin	20,673	7.2
4	Tianjin Nangang LNG Emergency Reserve Project (天津南港LNG應急儲備項目)	Customer H	Municipal public construction works	Water supply and drainage works	Binhai New Area, Tianjin	18,251	6.3
5	Outdoor Professional Subcontracting Project of Tianjiang Apartment Project (天江公寓室外工程專業分包)	Customer C	Building construction related works	Pipe construction works	Binhai New Area, Tianjin	18,194	6.3

Ranking	Project name	Customer	Project type	Project description	Project location	Total revenue recognized for the year	% of total revenue for the year
						RMB'000	*%*
6	Decoration and Renovation Professional Subcontracting Project of Tianjiang Apartment Affordable Rental Housing Improvement and Renovation Project — Jianfa (天江公寓裝修專業分包 — 建發)	Customer C	Building construction related works	Building decoration and renovation	Binhai New Area, Tianjin	16,815	5.8
7	Tianjiang Apartment Decoration Professional Subcontracting — Binhai Construction (天江公寓裝修專業分包 — 濱海建設)	Customer C	Building construction related works	Building decoration and renovation	Binhai New Area, Tianjin	15,867	5.5
8	Tianjiang Apartment Housing Renovation Project (天江公寓房屋裝修項目)	Customer C	Building construction related works	Building decoration and renovation	Binhai New Area, Tianjin	15,128	5.3
9	Infrastructure Project of Huanggang Vocational Education Industrial Park in Binhai New Area (Phase I) (濱海新區黃港職教產業園區基礎設施工程(一期))	Customer I	Municipal public construction works	Road construction works	Binhai New Area, Tianjin	15,097	5.2
10	Ya'anli Housing Renovation Project (雅安里房屋裝修工程)	Customer J	Building construction related works	Building decoration and renovation	Binhai New Area, Tianjin	14,760	5.1

For the year ended December 31, 2023

Ranking	Project name	Customer	Project type	Project description	Project Location	Total revenue recognized for the period	% of total revenue for the period
						RMB'000	%
1	Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段)	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)	Municipal public construction works	Road surface works	Binhai New Area, Tianjin	55,714	17.4
2	Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程)	Customer B	Foundation works	Earthworks	Binhai New Area, Tianjin	43,733	13.7
3	Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段)	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)	Municipal public construction works	Road surface works	Binhai New Area, Tianjin	39,340	12.3
4	Professional Subcontracting of Pile Foundation Works for Tianjin Shuren Secondary and Higher Specialized School Project (天津市樹人中等、高等專科學校樁基礎工程專業分包)	Customer C	Foundation works	Pile foundation works	Baodi District, Tianjin	27,876	8.7
5	Construction of Temporary Parking Lot at Wangzi East Area No. 10 (10號汪子東區臨時停車場工程)	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)	Municipal public construction works	Road surface works	Binhai New Area, Tianjin	27,757	8.7
6	Yujing Road Heating Network Project (禦井路熱網工程)	Xi'an Heating Group Company Limited* (西安市熱力集團有限責任公司)	Municipal public construction works	Traffic facilities construction	Xi'an, Shaanxi	14,778	4.6

Ranking	Project name	Customer	Project type	Project description	Project Location	Total revenue recognized for the period	% of total revenue for the period
						RMB'000	*%*
7	Outdoor Professional Subcontracting Project of Tianjiang Apartment Project (天江公寓室外工程專業分包)	Customer C	Building construction related works	Pipe construction works	Binhai New Area, Tianjin	13,110	4.1
8	Infrastructure Construction Project of Nandaigang Coastal Industrial Park — South Erjing Road (南大港濱海產業園區基礎設施建設項目 — 二經路南路)	Cangzhou Bohai New District South Dagang Industrial Park Construction, Transportation and Environmental Protection Management Center (滄州渤海新區南大港產業園區建設交通環保管理中心)	Municipal public construction works	Traffic facilities construction	Cangzhou, Hebei	12,757	4.0
9	Engineering and Social Infrastructure Construction Projects in High-Tech Area (Phase II) (高新區兩類設施建設工程二期)	Customer D	Municipal public construction works	Traffic facilities construction	Binhai New Area and Xiqing District, Tianjin	11,083	3.5
10	Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程)	Xintai Zhihui	Building construction related works	Electrical and mechanical equipment procurement	Binhai New Area, Tianjin	6,072	1.9

Backlog and new contract amounts

Backlog represents an estimate of the remaining contract amounts for our construction projects for each of the three years during the Track Record Period. New contract amounts represent the total contract amounts for construction projects undertaken by us during the specified years. The following table sets forth the movement in contract amounts of backlog of projects undertaken by us during the Track Record Period:

	Municipal public construction works	Foundation engineering works	Building construction related works	Petrochemical engineering	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2021					
Opening contract amount of backlog*	49,139	43,305	5,336	3,707	101,487
Add: Newly contracted projects	170,215	56,472	29,804	17,618	274,109
Add: Adjustment/variation orders	13,793	(12)	(27)	2,755	16,509
Less: Revenue recognized	144,712	89,153	19,236	21,703	274,804
Closing contract amount of backlog*	88,435	10,612	15,877	2,377	117,301
For the year ended December 31, 2022					
Opening contract amount of backlog*	88,435	10,612	15,877	2,377	117,301
Add: Newly contracted projects	34,890	18,563	169,104	24,359	246,916
Add: Adjustment/variation order	7,412	—	4,437	701	12,550
Less: Revenue recognized	86,469	20,476	171,286	8,918	287,149
Closing contract amount of backlog*	44,268	8,699	18,132	18,519	89,618

	Municipal public construction works	Foundation engineering works	Building construction related works	Petrochemical engineering	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2023					
Opening contract amount of backlog*	44,268	8,699	18,132	18,519	89,618
Add: Newly contracted projects	193,046	87,065	13,197	3,177	296,485
Add: Adjustment/variation order	5,318	(1,628)	22,076	(9,859)	15,907
Less: Revenue recognized	186,201	83,265	41,155	8,195	318,816
Closing contract amount of backlog*	56,431	10,871	12,250	3,642	83,194
For the one month ended January 31, 2024					
Opening contract amount of backlog*	56,431	10,871	12,250	3,642	83,194
Add: Newly contracted projects	16,351	31,309	—	30,862	78,522
Add: Adjustment/variation order	—	—	379	—	379
Less: Revenue recognized	877	205	1,305	—	2,387
Closing contract amount of backlog*	71,905	41,975	11,324	34,504	159,708

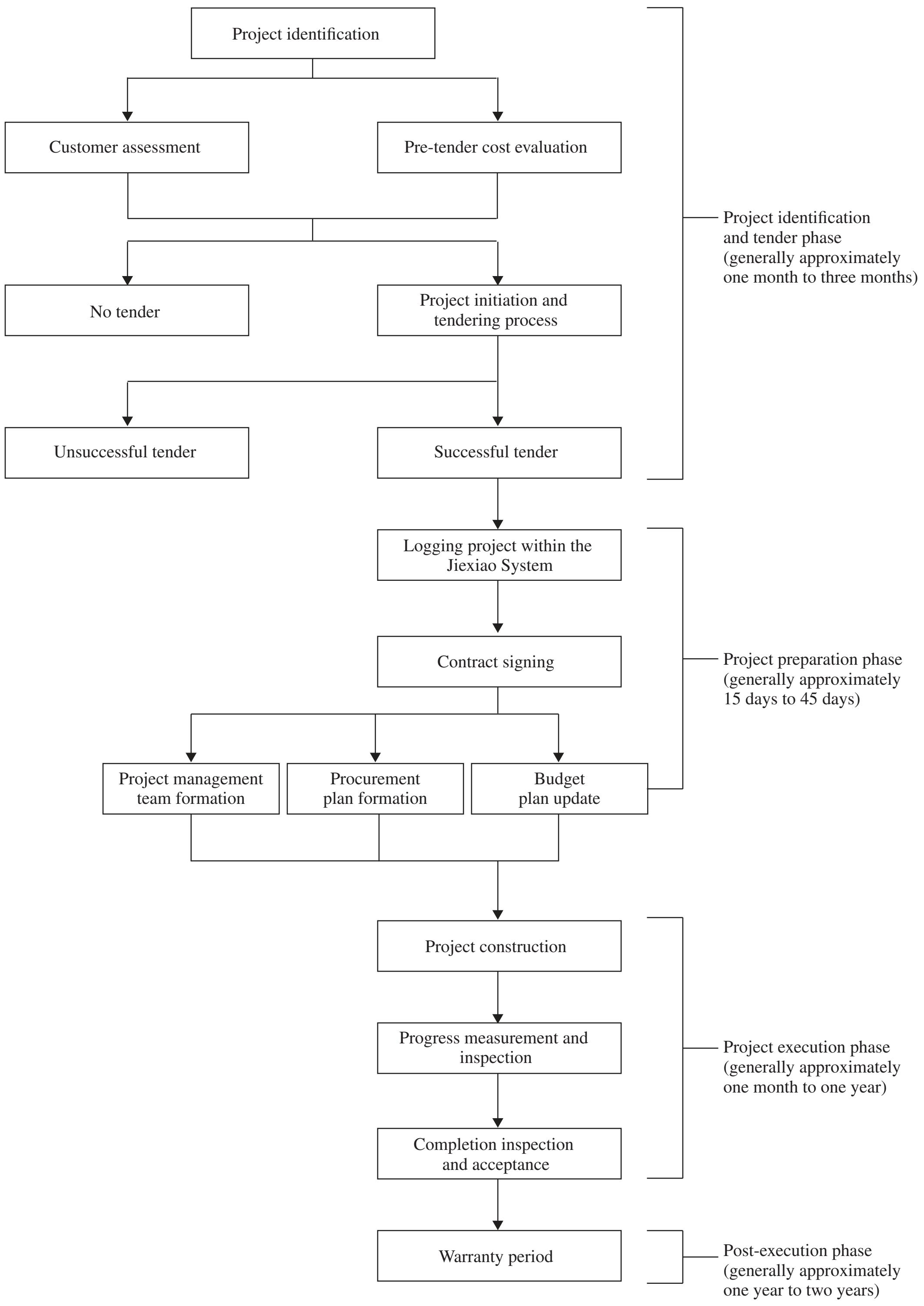
* Represent the remaining performance obligations expected to be satisfied

As of January 31, 2024, we had 29 ongoing projects with a backlog value of RMB159.7 million, comprising (i) 27 public projects with an aggregate backlog value of RMB156.4 million; and (ii) two private projects with an aggregate backlog value of RMB3.3 million.

We received relatively substantial amount of adjustment/variation orders in our building construction related works for the year ended December 31, 2023 primarily due to the Tianjiang Apartment Projects (天江公寓項目) were at the completion stage in early 2023.

OPERATION FLOW

The following diagram illustrates the main operation flow of our business:



Project identification and tender phase

Project identification and selection

We acquire new construction projects primarily by way of tender. Our marketing department is responsible for gathering market information from public sources and following up the business status of our existing customers, for the purpose of exploring new business opportunities. For further details on our sales and marketing activities, please refer to the paragraph headed "— Sales and Marketing" in this section.

Prior to submission of tender, we conduct customer assessment and pre-tender assessment based on our Group's project selection criteria. The factors we consider in our customer assessment primarily include customer's size of operations, business operations and payment capacities in order to gain a better understanding of the business and financial situation of the customer and to perform credit rating assessment. We usually prioritize clients from high to low credit ratings to minimize our risk of exposure to the recoverability of our trade and bills receivables.

If the customer of the potential project passes our customer assessment, we will prepare tender documents and conduct project feasibility studies and perform pre-tender assessments for the identified projects. Based on the assessment results, we determine whether to participate in the tendering for a specific project. We normally conduct assessment on different customers and set up limit of gross profit margin of different projects when we are deciding whether to submit tender for the relevant customers. If the project selection criteria are met, we would proceed with the tender process upon internal approval.

Project initiation and tendering

In general, after identification and selection of potential projects, the potential projects will be further matched with our funding, resources and manpower, etc. Our proposed bid project would be approved by the authorized person through our Jiexiao System, and the name and number of the initial project will be established in Jiexiao System to link and associate with future management and cost correlation. The particulars and requirements of the underlying potential project will be assigned to our different business departments for review and analysis, among which, our project management team is responsible for arranging site visits to assess the conditions of the project sites and devise appropriate construction plans accordingly; our commercial contract department and procurement department are responsible for pre-tender cost evaluation; and our marketing department is responsible for the preparation of tender documents and participating in the tendering process.

In order to ensure compliance with the relevant PRC laws and regulations during the tender phase, we have established and implemented internal measures and management control systems, including implementation of policies in relation to the conduct of tendering staff, tender money and seal management, confidentiality and anti-corruption management, and provided regular training to relevant staff to ensure that we comply with the relevant laws and regulations.

Depending on the tender requirement of the potential projects, we may be required to pay a refundable tender deposit to potential customers or tender organizers at the time of tender submissions, which would generally be refunded to us upon (i) signing of the construction contracts, if our tender is successful; or (ii) within five days from the date of the announcement of the tender results, if our tender is unsuccessful. For the years ended December 31, 2021, 2022 and 2023, we submitted 243, 124 and 110 tenders for construction projects, with tender success rates of approximately 25.1%, 25.0% and 22.7%, respectively.

Project Preparation Phase

Logging projects within Jiexiao System

After a successful bid is confirmed, we input the information of a project, including successful bidding prices and the person-in-charge, into the Jiexiao System, and each project recorded in the Jiexiao System would be assigned a unique project name and reference number. Thus, the processes and information in relation to such particular project, including budgeting, confirmation of costs incurred, issue of invoices, application for payment shall be linked and associated with such project under the Jiexiao System by the project name and reference number. Therefore, by using of the Jiexiao System, not only the input of labor, raw material and equipment and machinery on the project site can be presented in the form of data, but it also facilitate us to assure the financial performance of the project. During the Track Record Period, the Group has no loss-making projects.

Contract signing

We generally enter into agreements with our customers in accordance with the requirements of the tender on a project-by-project basis. If we successfully bid on a construction project, upon the receipt of a letter of award, we would enter into a construction contract with our customers. Our commercial contract department is responsible for negotiating the terms and conditions of such contract with our customers, and such contract will be subject to our internal review process before signing. We may also be required to pay a refundable performance guarantee deposit to our customers upon signing of the construction contracts, which would be refunded upon project completion.

Project preparation

Upon the execution of the project contract, we would commence the preparation of the raw materials, equipment and machinery, labor and other resources required for the project by (i) forming a management team who shall devise the implementation plan and progress plan for the project; (ii) selecting suppliers of raw materials, labor, equipment and machinery or other resources required for the project and conducting procurement activities as well as adjusting the budget; and (iii) uploading the contracts and budget to the Jiexiao System.

The project management team primarily comprise a project manager, a technical manager, safety and quality manager and other technical or administrative personnel. The project management team is responsible for coordination and management at the project site, progress management, quality control and inspection, management of raw materials and equipment, management of personnel, safety and environment protections, and other general administrative work related to the construction project.

For each construction project we undertake, we would formulate the procurement plan based on the implementation plan and progress plan. Generally, the project manager needs to sign a responsibility letter which outlines his corresponding responsibility and the prescribed goals to be achieved by him/her for the construction project. By adopting such requirement of responsibility letter, we believe we can better control the progress and quality of our works.

Raw materials for our construction projects include concrete, steel and other construction materials. The equipment and machinery required for our performance of construction works at project sites usually include cranes, excavators, loaders and bulldozers. Other than the project management team members, the construction workers deployed in our projects are sourced from third-party agents. Depending on our capabilities, scale and complexity of the projects, we may also subcontract those construction processes that require professional expertise such as electrical and thermal works. For further details, please refer to the paragraph headed "— Raw Materials", "— Equipment and Machinery", and "Subcontracting Suppliers" in this section. In this phase, we would obtain and compare quotations from multiple suppliers. Once we confirm the prices, we would enter into contracts with the relevant suppliers and devise the budget plan for the project accordingly, which would be uploaded to the Jiexiao System. Such budget plan may be adjusted from time to time in later phases of the project.

Project execution phase

Project construction

Prior to the commencement of construction, our project manager would formulate an execution plan in accordance with the terms of the contracts, designs, and drawings provided by our customers. The construction milestones would also be set and we would then estimate the required time for each phase. Generally, our project management team would commence execution of construction plan once we obtain the necessary approval from our customers. During the course of project execution, we maintain close interaction with different parties involved, such as our customers, construction inspectors, workers and suppliers to ensure that the quality is up to standard and the schedule of the project is adhered to.

In the course of project execution, our project management team is responsible for the management of the daily operation at our project sites by, among other things, (i) attending regular meetings with our customers and the construction inspectors, during which we would report the construction progress and discuss any change in the execution plan, and our customers and the construction inspectors would state their comments and requirements; (ii) monitoring the progress and quality of the construction works at the project sites; (iii) supervising the delivery and/or inspection of raw materials, equipment and machinery and labor and uploading the relevant information to our Jiexiao System to confirm the accuracy and authenticity of actual cost incurred; (iv) maintaining the documentation for the construction projects, submit the report of progress measurement and completion inspection and submit request for the progress payment and settlement to our customers; and (v) monitoring the safety and environment protection of the project sites.

In order to ensure compliance with the relevant PRC laws and regulations during the execution phase, we have established and implemented internal control measures and management control systems, such as quality management system, safety management system, occupational health and safety management system, and environmental protection management system for construction. We have established an occupational health and safety management system, which has been certified to satisfy the requirements of GB/T 45001–2020/ISO 45001:2018 standard. Besides, our quality system has been evaluated and certified as satisfying the requirement of GB/T19001–2016/ISO9001: 2015 and GB/T50430–2017 quality management system certification. For further information on the quality standards we have adopted, please refer to the paragraph headed "— Quality Control and Management" in this section. Whilst our engineering management department is responsible for monitoring the overall compliance of our project execution, our project management team performs on-site inspections at construction sites to ensure our construction projects are executed in compliance with our internal management systems and the relevant laws and regulations.

Our management team utilizes the Jiexiao System during the project execution phase to review contracts and monitor costs incurred in our construction projects. The limit of the cost would be set up for different parts of the project. Our management team could ascertain the amounts and prices of raw materials received, the usage of equipment and the allocation of labor on a daily basis. Our staff would take photographs of the delivery and usage of raw materials and equipment and machinery as well as the attendance of labor and upload them to the Jiexiao System as the proof of the actual costs incurred in the course of project execution which shall be subsequently used as the basis for calculating the amounts to be settled with our customers and suppliers. Unless being approved by our customers or our management team, the relevant cost incurred could not exceed the limit we previously set up.

Progress measurement

In the project execution phase, we regularly assess the progress of our construction projects and calculate the amounts payable by our customers accordingly. Generally, we send the report in relation to the amount of construction works, payment application and relevant documents to the inspectors engaged by our customers on a monthly basis, which sets out the amount of construction works completed pursuant to the relevant contracts entered into with our customers. If the inspectors have any objection to our report, then we shall review our report and discuss with our customers and their inspectors with a view to reaching consensus on the actual amount of construction works completed. Once the amount of construction works completed is confirmed and certified by our customers, they shall make the payment to us for our completed works accordingly.

After receiving the progress certificate to confirm the progress measurement or the progress payment amount from our customers, we will submit the progress payment application and other relevant materials to the inspectors.

Completion inspection and acceptance

Throughout the execution of our construction projects, our project management team would, from time to time, conduct inspection periodically at our project sites to ensure that the progress and quality of our construction works satisfy the standards and requirement as agreed between our customers and us. Upon the completion of construction works, we would conduct completion inspection of the construction works and send the inspection report to the construction inspectors engaged by our customers, who would then conduct their own inspection of our construction works and report to customers after review of the completion inspection report. If the construction inspectors are of the view that our construction works have not yet fulfilled our customers' requirement, we would then conduct the construction works required by the inspectors, and carry out inspection again upon the completion of such works.

Once our customers have accepted that the construction works undertaken by us have been completed, we would send a request to the customers to initiate the settlement audit process. The date on which we submitted the completion inspection report shall be the date of commencement of the warranty period. In general, all outstanding payment (other than a portion of the retention fee which generally does not exceed 3% of the final settlement amount) shall be payable by the customers to us upon completion of the settlement audit process.

Post-execution phase

After completion of the project, we usually provide warranty in relation to our construction. Depending on the type of construction, the warranty period generally has a term of one to two years, during which we would make further corrections or repairs to the works as required by our customers. Typically, at the end of the warranty period, our customers would remit the remaining retention fee to us after it is confirmed that we have fulfilled our quality assurance obligations under the contract.

CUSTOMERS, SALES AND MARKETING

Sales and marketing

Our marketing department is responsible for identifying project opportunities, exploring markets, following up the status of potential projects, pre-tender preparation and participating tender process and other marketing activities. Our marketing department primarily sources the market information from the announcement on construction projects published by the government, the internet and other public sources, as well as the information shared by our existing customers. Based on the market information we obtained from time to time, our marketing department carries out the following marketing activities to promote our business:

(i) we maintain contact with tendering agencies, engineering design companies and inspection companies (監理公司) in order to obtain accurate and updated market information;

(ii) we participate in industry-related meetings and conferences organized by government authorities to gain more understanding of the market and strengthen our relationship with customers;

(iii) we have joined certain regional construction industry associations. Through participating in activities held by these associations, we can expand our business network and develop business relationships with new customers and suppliers;

(iv) we put effort in maintaining our relationships with our existing customers to ensure that we can maintain long-term and stable cooperation relationships with them; and

(v) we promote our services through our corporate websites and social media platforms, such as WeChat official account.

Our directors believe that the marketing activities carried out through the various channels above can enable us to capture more business opportunities, improve our corporate image and solidify our reputation in the industry.

We are of the view that it is crucial for our marketing staff to possess expertise in construction, so that they can better understand how construction projects are conducted, which enables them to prepare tenders that can better suit the needs of our Group as well as satisfying the requirement of our customers. Currently, some of our marketing staff are first-grade or second-grade registered architects, and we have requested our marketing staff to attend meetings related to execution of construction works to develop understanding of construction works.

During the Track Record Period, we obtained a large majority of our projects through tendering, accounting for more than 95% of our total revenue generated from construction projects.

For the years ended December 31, 2021, 2022 and 2023, we submitted 243, 124 and 110 tenders, respectively, with tender success rates of approximately 25.1%, 25.0% and 22.7% respectively. The following table sets forth data on our tenders to potential customers during the Track Record Period:

	Year ended December 31,		
	2021	**2022**	**2023**
Number of submitted tenders	**243**	**124**	**110**
Government authorities and state-owned enterprises	235	115	94
Private enterprises	8	9	16
Number of projects awarded	**61**	**31**	**25**
Government authorities and state-owned enterprises	58	26	15
Private enterprises	3	5	10
Tender success rate (%)[(1)]	**25.1**	**25.0**	**22.7**
Government authorities and state-owned enterprises	24.7	22.6	16.0
Private enterprises	37.5	55.6	62.5

Note:

(1) The tender success rate for a given financial year is calculated based on the number of projects awarded for tenders submitted in that financial year (whether awarded in the same financial year or thereafter).

Customers

Our customers mainly include government authorities, state-owned enterprises and private enterprises which are primarily located in Tianjin. We have a diversified customer base, covering industries such as infrastructure, real estate, petrochemicals engineering, and logistics and warehousing.

For the years ended December 31, 2021, 2022 and 2023, we had 48, 29 and 23 customers, respectively, of which 39, 21 and 16 were government authorities and state-owned enterprises, and the remaining customers were private enterprises including, among others, construction services company, logistics services company and property developer. During the Track Record Period, our revenue from construction works was mainly derived from government authorities and state-owned enterprises, which in total amounted to RMB175.4 million, RMB176.5 million and RMB180.6 million, representing 63.8%, 61.5% and 56.7% of our total revenue for the same periods, respectively.

During the Track Record Period, our project team leader maintained relationship with customers by conducting visits from time to time to collect their feedback and learn about their business opportunities. Due to the nature of our industry, our business is project-based. Also, our projects awarded by major customers were primarily through tendering and such contracts were awarded on a one-time basis, therefore the composition of our top five customers varied from period to period and their identities were generally different for each of the years during the Track Record Period. For the years ended December 31, 2021, 2022 and 2023, revenue attributable to our top five customers was RMB174.5 million, RMB222.1 million and RMB260.7 million, representing 63.5%, 77.0% and 81.6% of our total revenue for the same year, respectively, while revenue attributable to our largest customer for the same periods was RMB55.8 million, RMB94.5 million and RMB122.8 million, accounting for 20.3%, 32.8% and 38.4% of our total revenue, respectively.

During the Track Record Period, we obtained a large majority of our projects through tendering, accounting for more than 95% of our total revenue generated from construction projects. For the remaining projects, we obtained them through negotiation with our customers (which involves price inquiry and price comparison by our customers). As such, we have no control over the tender outcome and thus the eventual project and customer mix, and the project size relative to each other. During the Track Record Period, we provided construction services to 67 customers and undertook 145 construction projects. Our relatively concentrated customer base was mainly attributable to our undertaking of more large scale projects during the Track Record Period, of which, we allocated the majority of our resources, capacity and available manpower to such projects at the relevant time. In addition, we have been tendering for and undertaking more large scale projects during the Track Record Period which led to an increase in the contribution of revenue from our top five customers. However, our top five customers are generally different for each of the years during the Track Record Period and we do not rely on any of our major customers. According to Frost & Sullivan, due to the project-based nature of the construction industry, it is not uncommon for construction contractors in PRC to have a relatively concentrated revenue spread from a few large projects in a given year.

The following table sets forth our top five customers by revenue contribution for each year during the Track Record Period:

For the year ended December 31, 2021

Ranking	Customers	Year of establishment	Year of commencing business relationship with our Group	Payment term	Payment method	Revenue	% of total revenue for the year
						RMB'000	*%*
1	Customer E[(2)]	1983	2021	Up to 30 days	Bank transfer	55,800	20.3
2	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)[(3)]	2008	2021	Up to 30 days	Bank transfer	49,178	17.9
3	Customer F[(4)]	2009	2018	Up to 30 days	Bank transfer	34,728	12.6
4	Customer G[(5)]	2001	2021	Up to 30 days	Bank transfer	18,728	6.8
5	Customer H[(6)]	1992	2021	Up to 30 days	Bank transfer	16,107	5.9
					Top five customers	174,541	63.5
					All other customers	100,403	36.5
					Total revenue	**274,944**	**100.0**

For the year ended December 31, 2022

Ranking	Customers	Year of establishment	Year of commencing business relationship with our Group	Payment term	Payment method	Revenue	% of total revenue for the year
						RMB'000	*%*
1	Customer C[(1)]	2007	2016	Up to 30 days	Bank transfer	94,505	32.8
2	Xintai Zhihui[(7)]	1994	2022	Up to 30 days	Bank transfer	45,577	15.8
3	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)[(3)]	2008	2021	Up to 30 days	Bank transfer	41,807	14.5
4	Customer I[(8)]	2001	2022	Up to 28 days	Bank transfer	21,943	7.6
5	Customer H[(6)]	1992	2021	Up to 30 days	Bank transfer	18,251	6.3
					Top five customers	222,083	77.0
					All other customers	65,877	23.0
					Total revenue	**287,960**	**100.0**

For the year ended December 31, 2023

Ranking	Customers	Year of establishment	Year of commencing business relationship with our Group	Payment term	Payment method	Revenue	% of total revenue for the period
						RMB'000	*%*
1	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)[9]	2002	2023	Up to 30 days	Bank transfer	122,811	38.4
2	Customer C[1]	2007	2016	Up to 30 days	Bank transfer	66,600	20.8
3	Customer B[11]	1990	2023	Up to 30 days	Bank transfer	43,733	13.7
4	Xi'an Heating Group Company Limited* (西安市熱力集團有限責任公司)[10]	1997	2020	Up to 30 days	Bank transfer	14,778	4.6
5	Cangzhou Bohai New District South Dagang Industrial Park Construction, Transportation and Environmental Protection Management Center (滄州渤海新區南大港產業園區建設交通環保管理中心)[12]	2019	2023	Up to 14 days	Bank transfer	12,757	4.1
					Top five customers	260,679	81.6
					All other customers	58,758	18.4
					Total revenue	**319,437**	**100.0**

Notes:

1. A group of companies based in the PRC and the holding company of which is Customer C, a state-owned enterprise established in the PRC with limited liability and a registered capital of RMB30,000 million, which is based in Beijing. It is mainly engaged in construction, installation and consultation of domestic public and civil housing, investment and construction of infrastructure projects and domestic real estate investment and development. During the Track Record Period, we entered into transactions with four, three and three of its subsidiaries, respectively.

2. A group of companies based in the PRC and the holding company of which is Customer E, a state-owned enterprise established in the PRC with limited liability and a registered capital of approximately RMB326,547.2 million, which is based in Beijing. It is mainly engaged in oil and gas exploration, petrochemical products production and sales, and construction and installation of petroleum and petrochemical projects. During the Track Record Period, we entered into transactions with 16, nine and eight of its subsidiaries or their respective branch companies, respectively.

3. Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司) is a private enterprise established in the PRC with limited liability and a registered capital of RMB8 million, which is based in Tianjin. It is mainly engaged in earthwork construction, municipal public construction and sales of construction related materials.

4. Customer F is a private enterprise established in the PRC with limited liability and a registered capital of RMB140 million, which is based in Tianjin. It is mainly engaged in real estate development, lease, commercial housing sales and property services.

5. Customer G is a state-owned enterprise established in the PRC with limited liability and a registered capital of RMB1,800 million, which is based in Tianjin. It is mainly engaged in the investment operation and management of state-owned property, real estate development and sales and greening project construction.

6. Customer H is a state-owned enterprise established in the PRC with limited liability and a registered capital of approximately RMB1,480.2 million, which is based in Beijing. It is mainly engaged in construction works and design, petroleum and natural gas engineering construction, electric power engineering projects and other construction related activities.

7. Xintai Zhihui is a private enterprise established in the PRC with limited liability and a registered capital of approximately RMB76 million, which is based in Tianjin. It is mainly engaged in construction design, building renovation and decoration, residential interior decoration, building intelligent system design and electrical installation services.

8. Customer I is a state-owned enterprise established in the PRC with limited liability and a registered capital of RMB5,080 million, which is based in Beijing. It is mainly engaged in construction works, real estate development and investment management and road cargo transportation.

9. Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司) is a private enterprise established in the PRC with limited liability and a registered capital of approximately RMB5 million, which is based in Tianjin. It is mainly engaged in import and export of goods and technology, general cargo warehousing services, refined oil warehousing and machinery and equipment leasing. We provided road construction services mainly involving pavement of road surfaces to Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司) for its bulk cargo yards during the Track Record Period. We obtained such road construction project from Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司) through tender.

10. Xi'an Heating Group Company Limited* (西安市熱力集團有限責任公司) is a state-owned enterprise established in the PRC with limited liability and a registered capital of approximately RMB825 million, which is based in Xi'an. It is mainly engaged in production and supply of electricity and heat, thermal engineering design, construction and installation, technical consulting services.

11. Customer B is a private enterprise established in the PRC with limited liability and a registered capital of RMB100.0 million, which is based in Tianjin. It is principally engaged in the design, construction, supervision and surveying of construction projects, cultural relics protection projects and geological disaster control projects.

12. Cangzhou Bohai New District South Dagang Industrial Park Construction, Transportation and Environmental Protection Management Center* (滄州渤海新區南大港產業園區建設交通環保管理中心) is a public institution established in the PRC with a start-up capital of RMB914.99 million, which is based in Cangzhou, Hebei Province. It is principally responsible for planning, infrastructure construction, transportation, land resources and environmental protection.

To the best knowledge of our Directors, all of our top five customers for the years ended December 31, 2021, 2022 and 2023 are Independent Third Parties. None of our Directors or their close associates, or Shareholders (who to our Directors' knowledge own more than 5% of the issued share capital of the Company) had any interest in any of our top five customers during the Track Record Period.

Construction contracts

We typically enter into construction contracts with our customers on a project-by-project basis before the commencement of work. Such contracts generally set out the terms and conditions, including the contract term, pricing and price adjustment mechanism, payment terms and warranty periods. The terms of each contract entered into by our Group and its customers may vary significantly depending on a number of factors, including the duration, nature and complexity of the particular project. Such contracts may include the requirement to procure certain materials for the construction projects. We may also enter into supplementary contracts with our customers from time to time due to changes in project circumstances.

The following table provides a summary of the typical key terms and conditions of our construction contracts with customers:

Contract term	Usually ranges from one month to one year depending on the complexity of the project.
Pricing and price adjustment	Construction fee is usually charged based on fixed unit price or a fixed contract sum. The final construction fee of a fixed unit price contract is based on the agreed unit price and the actual quantity of work performed. The fixed contract sum is determined when entering into the contract and can only be adjusted under certain circumstances as specified in the contract, such as additional services requested by the customer or changes in specifications under a variation certificate. In the event that there are any significant changes to the scope of work during the course of the project (e.g., change in workload, extension of time, or requirement for additional work), we would enter into a supplemental agreement with the customer to record the price adjustment.
Payment term	We generally adopt the progress payment method in construction contracts. Generally our contracts do not bear the advance payment term. On a case-by-case basis, we may negotiate for an advance payment arrangement with our customers. Therefore, the overall result is that nil to 30% of the contract amount may be payable to us by our customers prior to the commencement of work depending on the results of negotiation with our customers. During the project implementation, payments are generally made either (i) in monthly progress payments; or (ii) upon achievement of certain major milestones under the contract. We would submit monthly progress reports to our customers showing the works we have performed with the request for progress payment. Progress payments would normally be calculated based on the percentage of the total certified value of the works performed, which generally ranges from 70% to 85%. Upon completion of the project, we are normally entitled to 97% of the contract sum. Our customers would retain approximately 3% of the final settlement amount as retention fee, which will be paid to us at the end of the warranty period.

Contract variation	A variation certificate would be issued by our customers where the construction design or construction scope is changed. Unless otherwise specified in the construction contract, the price for the variation certificate will be separately agreed between our customers and us.
Warranty period	We may be required to provide a warranty period ranging from one year to two years. During the warranty period, our Group shall be responsible for any remedial works that may be incurred as a result of defective works or materials.
Breach of contract	Generally, if we (i) fail to meet the quality standards of the contract; (ii) change project scope or project management team members without approval; (iii) cause project delay without any reasonable justification; (iv) cause severe personal injury; and (v) cause any accident or quality incident on our part's default resulting in damages to our customer, we may be deemed to be in breach of the contract. We may be required to pay a fixed amount of damages to compensate for our customers' losses.
Termination events	In general, the contract would be terminated upon expiration of the warranty period and the retention fee being settled. Our customers are entitled to terminate the contract upon occurrence of project delay which is not being rectified, or our substantial breach of the contract, or by mutual agreement between our customers and us.

Pricing Policy

Our quotation price at the tender or negotiation stage is based on a number of factors. We usually adopt the cost plus premium approach to determine our fee quotation, taking into account factors such as: (i) estimated costs of raw materials, equipment and labor; (ii) scope and complexity of works; (iii) delivery schedule; (iv) expected profitability; (v) the prices that may be offered by other bidders; and (vi) information or indices published in the market or by the government. We would also consider the general project profitability and strategic cooperation with the customer within the price cap mentioned in the tender from time to time.

During the Track Record Period, the contract amount of our (i) municipal public construction works projects ranged from RMB0.1 million to RMB91.0 million; (ii) foundation works projects ranged from RMB1.5 million to RMB49.5 million; (iii) building construction related works projects ranged from RMB39,000 to RMB26.8 million; and (iv) petrochemical engineering works projects ranged from RMB16,600 to RMB18.1 million.

In general, since our project period spans from one month to one year, under certain circumstances, there may be unanticipated price fluctuations or price changes during the project period, as a result of which the actual cost of the project undertaken may be higher than our estimated costs. For construction contracts that allow us to make adjustments and revise our estimated project costs in response to changing circumstances, such cost increases may be passed on to the customer; otherwise any cost increases may have to be borne by us. During the Track Record Period, we did not pass on any cost increase to our customers because (i) there were no material differences between the estimated costs and the actual costs of our projects since we did not experience material cost fluctuations and we have established effective internal control measures to ensure that the total cost of each construction project is estimated accurately; and (ii) we would like to maintain good relationship with our customers and to maintain our competitiveness. In addition, we will also base our procurement on the actual needs of the project schedule, estimate the amount of labor and raw materials required during the project preparation phase, consider possible future changes in the price of raw materials, and closely monitor the use of raw materials during the project to minimize waste.

Credit policy and credit management

Payment terms and credit policies for customers are negotiated on a project-by-project basis and the time required to complete the process varies significantly from one customer to another. Our Group generally allows customers to settle payments up to 30 days from the date of issuance of progress certificates. We actively monitor and review the payment terms of our customers on a regular basis. Under our internal control policy, we are required to implement the verification procedures for all customers that enter into transactions on the credit terms and to maintain strict control over uncollected trade receivables.

For further details of our trade receivables and bills receivable, and the calculation method of our turnover days of our trade and bills receivables, please refer to the section headed "Financial Information — Trade and Bills Receivables" in this document. Our management regularly reviews our overdue balances.

SEASONALITY

During the Track Record Period, our construction business was predominantly carried out in Tianjin, which would be affected by seasonal factors. We generally achieved higher revenue in the second half of the year than in the first half of the year as construction activities are generally comparatively latent during the Lunar New Year, and the winter weather conditions could adversely affect construction operations. For details, please refer to the section headed "Risk Factors — Our business operations are subject to adverse weather conditions, severe air pollution, natural disasters and other seasonality" in this document.

SUPPLIERS

Our suppliers are business entities that are primarily engaged in the provision of construction materials, lease of equipment and machinery, labor subcontracting and subcontracting of professional construction services in the PRC. For the years ended December 31, 2021, 2022 and 2023, we made purchases from 318, 273 and 224 suppliers, respectively. We maintain a multi-supplier policy and seek price quotations from at least three suppliers for the purchase of major raw materials and equipment to avoid undue reliance on any single supplier. In addition, we tend to purchase construction materials such as cement and steel from local suppliers. In preparing the budget for each project, we would take into account factors such as potential price fluctuations of raw materials, as well as any anticipated increases in costs, and pass on such increases to our customers wherever practicable. In order to minimize the impact of possible fluctuations in costs and raw material prices during the course of a project, we usually enter into a long-term contract with our suppliers in fixed unit price with market price taken into consideration at the time of procurement and establish a price adjustment mechanism from time to time based on actual negotiations. Unless otherwise specified in the contract, the fixed unit price could not be changed.

For the years ended December 31, 2021, 2022 and 2023, the total cost of sales involving our top five suppliers was RMB48.3 million, RMB47.3 million and RMB64.8 million, representing 23.8%, 22.0% and 27.0% of our total cost of sales for the same years, respectively. During the same years, the total cost of sales involving our largest supplier amounted to RMB11.3 million, RMB14.5 million and RMB14.9 million, representing 5.6%, 6.7% and 6.2% of our total cost of sales for the same years, respectively. The following table sets forth our top five suppliers for each year during the Track Record Period:

For the year ended December 31, 2021

Ranking	Suppliers	Major materials or services supplied/provided	Year of commencing business relationship with our Group	Payment term	Payment method	Purchase amount	% of total cost of sales for the year
						RMB'000	*%*
1	Tianjin Chengyu Construction Company Limited* (天津誠宇建築工程有限公司)("**Tianjin Chengyu**")[1]	Professional subcontracting	2020	up to 30 days	Bank transfer	11,334	5.6
2	Tianjin Chengteng Building Materials Trading Company Limited* (天津晟騰建材商貿有限公司)[2]	Raw materials	2021	up to 30 days	Bank transfer	11,208	5.5
3	Supplier A[3]	Raw materials	2020	N/A[13]	Bank transfer	10,097	5.0
4	Tianjin Yunze Building Construction Company Limited* (天津雲澤建築工程有限公司)[4]	Professional subcontracting and labor services	2021	N/A[13]	Bank transfer	8,829	4.3
5	Supplier B[5]	Professional subcontracting	2021	N/A[13]	Bank transfer	6,850	3.4
					Top 5 suppliers	48,318	23.8
					All other suppliers	154,920	76.2
					Total cost of sales	**203,238**	**100.0**

For the year ended December 31, 2022

Ranking	Suppliers	Major materials or services supplied/provided	Year of commencing business relationship with our Group	Payment term	Payment method	Purchase amount	% of total cost of sales for the year
						RMB'000	%
1	Tianjin Jinyuan Building Construction Company Limited* (天津錦源建築工程有限公司)(6)	Professional subcontracting	2022	N/A(13)	Bank transfer	14,478	6.7
2	Tianjin Huisheng Trading Company Limited* (天津惠昇商貿有限公司)(7)	Raw materials	2022	up to 10 days	Bank transfer	9,282	4.3
3	Supplier C(8)	Labor services	2022	N/A(13)	Bank transfer	9,012	4.2
4	Tianjin Zhengbiao Jinda Cable Group Company Limited* (天津正標津達線纜集團有限公司)(9)	Raw materials	2022	up to 30 days	Bank transfer	8,504	3.9
5	Supplier D(10)	Raw materials	2022	up to 20 days	Bank transfer	6,009	2.8
					Top five suppliers	47,285	22.0
					All other suppliers	168,080	78.0
					Total cost of sales	**215,365**	**100.0**

For the year ended December 31, 2023

Ranking	Suppliers	Major materials or services supplied/provided	Year of commencing business relationship with our Group	Payment term	Payment method	Purchase amount	% of total cost of sales for the period
						RMB'000	%
1	Tianjin Aierwei Trading Company Limited* (天津艾爾微商貿有限公司)(11)	Raw materials	2022	up to 30 days	Bank transfer	14,901	6.2
2	Tianjin Huisheng Trading Company Limited* (天津惠昇商貿有限公司)(7)	Raw materials	2022	up to 30 days	Bank transfer	13,892	5.8
3	Tianjin Jinmen Yushang Engineering Construction Company Limited* (天津津門豫商建築工程有限公司)(12)	Professional subcontracting	2020	N/A(13)	Bank transfer	13,208	5.5
4	Tianjin Jinyuan Building Construction Company Limited* (天津錦源建築工程有限公司)(6)	Professional subcontracting	2022	N/A(13)	Bank transfer	12,673	5.3
5	Tianjin Yunze Building Construction Company Limited* (天津雲澤建築工程有限公司)(4)	Professional subcontracting	2021	N/A(13)	Bank transfer	10,104	4.2
					Top five suppliers	64,778	27.0
					All other suppliers	174,353	73.0
					Total cost of sales	**239,131**	**100.0**

Notes:

1. Tianjin Chengyu is a private enterprise established in the PRC with limited liability and a registered capital of RMB30 million, which is based in Tianjin. It is principally engaged in building construction, fire protection, waterproofing and anti-corrosion insulation engineering services, steel structure engineering and building decoration and decoration engineering.

2. Tianjin Chengteng Building Materials Trading Company Limited* (天津晟騰建材商貿有限公司) (formerly known as Tianjin Feiher Technology Development Company Limited* (天津飛赫科技發展有限公司)) is a private enterprise established in the PRC with limited liability and a registered capital of RMB8 million, which is based in Tianjin. It is principally engaged in construction material sales, sales of mechanical parts and components, leasing of machinery and equipment and sales of electronic products.

3. Supplier A is a private enterprise established in the PRC with limited liability and a registered capital of RMB44.1 million, which is based in Tianjin. It is principally engaged in concrete processing and sales, wholesale and retail of building materials, machinery and equipment leasing and special transportation of goods.

4. Tianjin Yunze Building Construction Company Limited* (天津雲澤建築工程有限公司) is a private enterprise established in the PRC with limited liability and a registered capital of RMB30 million, which is based in Tianjin. It is principally engaged in municipal road engineering design and construction, firefighting engineering and waterproofing, building intelligent system design, special equipment installation and anti-corrosion insulation engineering services.

5. Supplier B is a private enterprise established in the PRC with limited liability and a registered capital of RMB50 million, which is based in Tianjin. It is principally engaged in building construction, low voltage engineering, municipal public works, environmental protection engineering and earthwork engineering.

6. Tianjin Jinyuan Building Construction Company Limited* (天津錦源建築工程有限公司) is a private enterprise established in the PRC with limited liability and a registered capital of RMB12 million, which is based in Tianjin. It is principally engaged in curtain wall construction, environmental protection works, fire protection, waterproofing and anti-corrosion insulation engineering services, landscaping projects and municipal projects.

7. Tianjin Huisheng Trading Company Limited* (天津惠昇商貿有限公司) is a private enterprise established in the PRC with limited liability and a registered capital of RMB10 million, which is based in Tianjin. It is principally engaged in construction material sales and sales and trading in basic commodities.

8. A group of companies based in the PRC and the holding company of which is Supplier C, a private enterprise established in the PRC with limited liability and a registered capital of RMB10 million, which is based in Tianjin. It is principally engaged in labor services, technology development, technical consultation and project management services.

9. Tianjin Zhengbiao Jinda Cable Group Company Limited* (天津正標津達線纜集團有限公司) is a private enterprise established in the PRC with limited liability and a registered capital of RMB420 million, which is based in Tianjin. It is principally engaged in wire and cable manufacturing, road cargo transportation, power transmission business and electrical equipment manufacturing.

10. Supplier D is a private enterprise established in the PRC with limited liability and a registered capital of RMB5 million, which is based in Tianjin. It is principally engaged in construction material sales and road freight transportation, security equipment and electronic product sales.

11. Tianjin Aierwei Trading Company Limited* (天津艾爾微商貿有限公司) is a private enterprise established in the PRC with limited liability and a registered capital of RMB2.0 million, which is based in Tianjin. It is principally engaged in wholesale and retail trading.

12. Tianjin Jinmen Yushang Engineering Construction Company Limited* (天津津門豫商建築工程有限公司) is a private enterprise established in the PRC with limited liability and a registered capital of RMB50 million, which is based in Tianjin. It is principally engaged in civil construction engineering, earthwork engineering, steel structure engineering and pipeline engineering, waterproofing and insulation engineering and indoor and outdoor decoration engineering.

13. We are required to make payments according to the payment schedule agreed by the parties.

To the best of our Directors, all of our top five suppliers for the years ended December 31, 2021, 2022 and 2023 are Independent Third Parties. None of our Directors or their close associates, or Shareholders (who to our Directors' knowledge own more than 5% of the issued share capital of the Company) had any interest in any of the top five suppliers during the Track Record Period.

Raw materials

Costs of materials consumed constitutes a substantial portion of our cost of sales. Materials used for our construction projects include concrete, steel and other construction materials, all of which are sourced from PRC suppliers. Our project management teams are responsible for developing procurement plans and budgets based on their respective project specifications, with the exception of raw materials procured by professional construction subcontractors for specific projects. For the years ended December 31, 2021, 2022 and 2023, the cost of raw materials consumed by us was RMB97.5 million, RMB89.2 million and RMB68.8 million, representing 48.0%, 41.4% and 28.8% of our total cost of sales for the same years, respectively.

We have in place strict supplier selection criteria and a supplier management system, which include their track record, reputation, necessary licenses held, and price and quality of products and services. The quantity and timing for ordering raw materials are individually assessed by the project management team based on the progress and specific requirements of each project. To ensure that our services meet the specifications required by our customers, we implement strict quality control procedures for raw materials. For more information, please refer to the paragraph headed "— Raw Materials Inspection" in this section.

Certain construction contracts entered into by our Group with its customers contain price adjustment mechanism, whereby we may be able to pass on a portion of such price increase to our customers. For details, please refer to the paragraph headed "— Pricing Policy" in this section.

Key terms of typical purchase agreements with raw materials suppliers

In general, we will issue purchase orders of raw materials after we are awarded a construction contract, and our suppliers would issue us the delivery order or invoice containing a description of our orders, quantities and prices. The key terms and conditions of typical purchase agreements of major raw materials are summarized as below:

Pricing	The total price of raw materials is determined by the unit price and the quantity delivered, wherein the unit price is negotiated with our supplier with reference to the prevailing market prices.
Delivery, inspection and acceptance	The supplier delivers raw materials to our designated location, such as a construction site. Upon delivery, our employees will check the quality and quantity of raw materials according to our specifications and standards. In general, risk of wear and tear from delivery is borne by the supplier.
Payment terms	We usually pay our suppliers on a monthly basis. Occasionally, up to 50% of the contract sum is required as an advance payment.
Liquidated damages	In general, where (i) delivery of raw materials is delayed; (ii) failure to provide the quality certificate; (iii) variety, model, specification of the raw material being inconformity with the contract provision; or (iv) the quality standards of raw materials are not met, our supplier shall be liable for liquidated damages and compensate us for the losses incurred (if any).

Inventory management

Our purchase of raw materials are made on a project-by-project basis and after the corresponding construction contracts are awarded. In general, raw materials we procured are delivered directly from our suppliers to the relevant construction sites and are used in relevant projects shortly after delivery, in order to minimize wastage and avoid stockpiling of inventories. Accordingly, we maintained a low level of inventories during the Track Record Period. We believe that raw materials we require are readily available in the PRC. Our Directors confirm that during the Track Record Period, except for the delay of delivery of materials due to the outbreak of the COVID-19, we have not experienced any significant delays or shortages in the supply of raw materials which would impact our operation and we do not anticipate significant difficulties in obtaining alternative sources of supply, if necessary. For details of the risks associated with the supply of raw materials, please refer to the section headed "Risk Factors — Our operating results may be significantly affected by changes in the prices and availability of raw materials" in this document.

Equipment and machinery

We use a variety of equipment and machinery, such as cranes, excavators, loaders and bulldozers, to carry out construction works. The equipment and machinery we used in our operation were leased from leasing service suppliers to meet the needs of our construction projects. For the leased equipment and machinery, our suppliers are responsible for the repair or replacement during the leasing period. For the years ended December 31, 2021, 2022 and 2023, the machinery usage cost was RMB10.4 million, RMB19.5 million and RMB31.2 million, representing 5.1%, 9.0% and 13.0% of our total cost of sales for the same years, respectively.

We determine the type, quantity and duration of equipment and machinery required for each project by taking into account the size and type of the project and the expected costs, and we prepare periodic demand plans. We select our equipment and machinery rental service providers based on a number of factors, including but not limited to, geographic location, cost, services, and specifications of the equipment and machinery. Our equipment and machinery rental service providers are generally responsible for delivering the equipment and machinery to the designated construction site and maintaining the equipment and machinery during the respective lease period.

During the Track Record Period, we did not experience difficulties in using adequate equipment and machinery.

Subcontracting

During the Track Record Period, we engaged subcontractors to provide (i) labor services; and (ii) ancillary construction services on a project-by-project basis. We follow strict criteria in selecting subcontractors and we maintain a list of qualified subcontractors who can provide us with suitable subcontracting services at an acceptable price when required. Our subcontractors are Independent Third Parties. For the years ended December 31, 2021, 2022 and 2023, the total subcontracting fees we paid to our appointed subcontractors were approximately RMB85.3 million, RMB101.1 million and RMB118.0 million, respectively, representing approximately 42.0%, 46.9% and 49.4% of our total cost of sales for the same years/period, respectively. For further information, please refer to the section headed "Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Cost of Sales" in this document.

We believe that by engaging subcontractors, our Group can (i) allocate its valuable resources and focus on its core business requirements, including project bidding, contract management, cost control, quality control, occupational health and safety management and project progress monitoring; (ii) minimize administrative procedures which would otherwise apply to hiring full-time employees, such as recruitment, training and payroll administration; (iii) minimize legal risks and obligations associated with employment; (iv) minimize the risk of labor shortages; (v) improve productivity and cost effectiveness; and (vi) efficiently utilize professional workers for their construction expertise and experience.

We categorize our subcontractors by the services type they can provide, and maintain more than 15 subcontractors in each category. Subcontractors which participate in the bidding process should pass our internal evaluation and then become our qualified subcontractors. We consider various factors when selecting subcontractors for collaboration, including but not limited to track record and experience, financial position, past performance, years of collaboration with our Group, licenses and qualifications held, technical capabilities, labor resources, price and safety record. Through the bidding procedure, we are able to choose satisfactory suppliers by taking into account a variety of factors to guarantee the quality and schedule of the projects. Subcontracting arrangements are made on a project-by-project basis, and the duration of each subcontracting agreement generally depends on the timetable, scope of work and other requirements of the particular project.

According to the relevant PRC laws and regulations, subcontractors are generally prohibited from further assigning their contracted work to other subcontractors, i.e. transferring the whole of their contracted work to other subcontractors (轉包). Nevertheless, among the subcontracting services that our Group utilizes from time to time, according to the relevant PRC laws and regulations and subject to the terms of the subcontracting contracts, professional subcontractors are allowed to subcontract certain labor services to other labor subcontractors, whilst labor subcontractors are prohibited from further subcontracting their services to other subcontractors.

Furthermore, our subcontractors are required to follow strict safety guidelines and policies, and take steps to avoid safety or other incidents in the course of providing services. In case our subcontractors fail to strictly comply with the safety or quality guidelines of the subcontractors, we may terminate our collaboration with them and/or claim damages against them. As we are ultimately accountable to our customers for the performance of our subcontractors under the contract or under applicable laws, we strictly manage and supervise the quality, schedule, health, safety and environmental records of our subcontractors.

We require our subcontractors to strictly comply with the relevant safety laws and regulations. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not incur any material damages, penalties or other liabilities arising from the contractual violations or misconduct of our subcontractors.

Labor subcontracting

Our Group enters into labor subcontracting agreements with our labor subcontractors. During the Track Record Period, the expenses of labor subcontracting services amounted to RMB50.8 million, RMB62.1 million and RMB35.6 million, representing 25.0%, 28.8% and 14.9% of the total cost of sales, respectively.

The major terms and conditions of a typical subcontracting agreement with our labor subcontractor are outlined below:

Responsibilities	Our labor subcontractors are responsible for the provision of manpower and the overall management of its personnel and services under the supervision of the project management team and in accordance with our requirements and decisions. Our labor subcontractors are also responsible for its labor force's payroll and payment of social insurance, housing provident fund and tax obligations.
Quality and safety	Our labor subcontractors are primarily responsible for complying with quality and safety standards and managing workers. If the quality of the work does not meet the quality standards required by us, the relevant regulations or the local government authorities, our labor subcontractors shall bear the responsibility for reworks and the associated costs.
Subcontracting fees and pricing	Subcontracting fee is usually charged based on a fixed unit price with reference to market prices at the time when the labor subcontracting agreement is entered into. Labor subcontracting fee is calculated by reference to the actual works performed by our labor subcontractors.
Payment terms	Our Group is generally required to make progress payments to our labor subcontractors periodically or upon our acceptance of their works. Upon the completion of their works, we would pay 97% of the settlement amount and retain 3% of the settlement amount as retention fee.
Warranty period and retention fee	Under certain circumstances, our labor subcontracting agreement may require our labor subcontractors to provide a warranty period of up to two years for the quality of the subcontracted works, and the retention fee is normally 3% of the settlement amount.
Termination clause	We reserve the right to terminate the labor subcontracting agreement if the labor subcontractors fail to complete the project schedule or meet quality requirements.

Professional subcontracting

If necessary, we may engage professional subcontractors to provide certain ancillary construction services that require a certain level of expertise (including electricity system construction, fire protection and waterproofing works). We engage professional subcontractors for ancillary construction works on a project-by-project basis, and our professional subcontractors will be responsible for completing certain ancillary construction works under the contract.

For the years ended December 31, 2021, 2022 and 2023, the total subcontracting fees paid to our professional subcontractors amounted to approximately RMB34.6 million, RMB39.1 million and RMB82.4 million, respectively, representing approximately 17.0% and 18.2% and 34.5% of our total cost of sales for the same periods, respectively.

The major terms of our typical professional subcontracting agreements are outlined below:

Responsibilities	The professional subcontractors are generally responsible for the workers, materials and equipment required for the construction and are required to follow our project schedule.
Quality and safety	The professional subcontractors are primarily responsible for managing and monitoring their compliance with our quality and safety requirement. In general, the majority of our professional subcontracting agreements stipulate that our professional subcontractors are responsible for safety incidents that occur during construction. The professional subcontractors are subject to the supervision and management of our project management team throughout the construction period. We are entitled to conduct on-site inspections to ensure the professional subcontractors' compliance with the relevant safety and environmental protection requirements. Upon completion of the construction works, we would conduct completion inspection at the construction sites. If the quality of work does not meet our quality standards, relevant regulations, industry or local government authorities, our professional subcontractors shall bear the responsibility for reworks and the associated costs.
Equipment and raw materials	The professional subcontractors are usually required to provide equipment and procure necessary raw materials, and the related costs are included in the subcontracting fees.

Subcontracting fees and pricing	Our professional subcontracting agreements are generally prepared on a fixed unit price basis, and unit prices are generally determined based on market prices for labor, materials and equipment required. Professional subcontracting fees are calculated with reference to the actual works performed by the professional subcontractors.
Payment terms	Our Group shall normally make progress payment to the professional subcontractors following our inspection and acceptance of the completed work and we usually agree to pay 70% of the progress settlement amount and pay to the professional subcontractor up to 97% of the contract sum after the works has been completed, and 3% of the final settlement will be retained by us as retention fee and will be paid to the professional subcontractors upon expiry of the warranty period.
Warranty period	We may require the professional subcontractor to provide a warranty period of one year to two years after completion and acceptance of the works. During the warranty period, the professional subcontractor shall be responsible for carrying out remedial works that may be incurred due to defects in the works.
Termination clause	Generally, a contract would be terminated when the warranty period expires and the subcontracting fees are paid. We reserve the right to terminate the professional subcontracting agreement if the professional subcontractor fails to complete the project schedule or meet quality requirements.

Customers who are also our suppliers

During the Track Record Period, (i) Xintai Zhihui, one of our top five customers for the year ended December 31, 2022, was also our supplier; and (ii) Tianjin Chengyu, one of our top five suppliers for the year ended December 31, 2021, was also our customer. To the best of our Directors' knowledge and belief, both Xintai Zhihui and Tianjin Chengyu and their respective ultimate beneficial owners are Independent Third Parties.

Our business with Xintai Zhihui

Xintai Zhihui was a Tianjin-based enterprise established in 1994 and is principally engaged in construction design, building renovation and decoration.

Xintai Zhihui was one of our top five customers for the year ended December 31, 2022. During the Track Record Period, we were awarded with two projects by Xintai Zhihui through tendering in 2022 for the provision of construction services.

For the years ended December 31, 2021, 2022 and 2023, the revenue generated from Xintai Zhihui was nil, RMB45.6 million and RMB6.6 million, respectively, and the gross profit was nil, RMB12.9 million and RMB0.5 million, respectively, with an average gross profit margin of 25.9%, which was comparable to the overall gross profit margin of our other projects awarded by other customers (excluding Xintai Zhihui) during the Track Record Period of 25.4%.

Our Directors believe that through tendering process, the projects with Xintai Zhihui were awarded to us following due process and consideration, based on the genuine business needs and in the ordinary course of business of Xintai Zhihui.

During the Track Record Period, while Xintai Zhihui was one of our top five customers in 2022, we also engaged Xintai Zhihui in 2022 as a supplier to provide primarily building renovation and decoration services. We engaged Xintai Zhihui for the provision of professional construction contracting services after taking into account the satisfactory price and the qualification it possesses. For the years ended December 31, 2021, 2022 and 2023, our subcontracting costs to Xintai Zhihui amounted to nil, RMB2.0 million and nil, respectively, representing nil, 0.9% and nil of our total costs of sales for the same periods, respectively.

Our Directors confirm that the terms of our construction contracts and subcontracting agreement with Xintai Zhihui were negotiated on arm's length basis and on normal commercial terms. Our provision of construction services to Xintai Zhihui and the provision of professional subcontracting services by Xintai Zhihui to us were not related to each other or otherwise interconditional.

Settlement method with Xintai Zhihui

We granted Xintai Zhihui with 30 days of credit period to settle payments from the date of issuance of progress certificates, whilst Xintai Zhihui granted us up to 30 days of credit period from the date of our acceptance of the services or raw materials provided by Xintai Zhihui. Our Directors confirm that these payment terms are generally consistent with the payment terms of the other suppliers of our Group.

Reasons for Xintai Zhihui being our customer

The two projects we undertook from Xintai Zhihui in 2022 were part of the Tianjiang Apartment Projects (天江公寓項目) which consisted of 11 individual building construction related projects. Tianjiang Apartment Projects were undertaken by three construction contractors including Xintai Zhihui and our Company. Taking into account the need for overall coordination for large scale construction projects, our historical cooperation relationship with Xintai Zhihui, and our reputation in the industry in Tianjin, Xintai Zhihui engaged us to conduct these construction projects.

Our business relationship with Xintai Zhihui is in line with the industry practice

Our Directors confirm, with the support of the views of Frost & Sullivan, that the business relationship between Xintai Zhihui and us are generally consistent with the industry practice.

According to the Frost & Sullivan Report, contractors who are professional in providing certain areas of construction works may tender for projects where a wide array of services is required. In circumstances where a contractor does not have the necessary resources, equipment, manpower, capacity or expertise to carry out a certain sector of construction works, it is not uncommon for the contractor to invite other contractors who are in possession of the relevant qualification to carry out the works required.

Our business with Tianjin Chengyu

Tianjin Chengyu is an enterprise established in Tianjin and is principally engaged in building construction, fire protection, waterproofing and anti-corrosion insulation construction services.

During the Track Record Period, Tianjin Chengyu was engaged by us as a supplier for the provision of professional construction subcontracting services and labor subcontracting services for certain projects, and was one of our top five suppliers for the year ended December 31, 2021. For the years ended December 31, 2021, 2022 and 2023, our subcontracting costs to Tianjin Chengyu amounted to RMB11.3 million, nil and nil, respectively, representing 5.6%, nil and nil of our total costs of sales for the same periods, respectively.

During the Track Record Period, we provided our software services to Tianjin Chengyu for the year ended December 31, 2021. For the years ended December 31, 2021, 2022 and 2023, our revenue generated from Tianjin Chengyu amounted to RMB81,698, nil and nil, accounting for 0.03%, nil and nil of our total revenue for the same periods, respectively.

Settlement method with Tianjin Chengyu

Tianjin Chengyu would pay the subscription fee within one year upon entering into the software service contract, whilst the credit period that Tianjin Chengyu granted us was up to 30 days. Our Directors confirm that such payment terms are generally consistent with those between our Group and our other customers.

Reasons for Tianjin Chengyu being our customer

In December 2021, by taking into account its needs and in recognition of our Jiexiao System, Tianjin Chengyu engaged us for provision of software services for its operational purpose. During the Track Record Period, save for Tianjin Chengyu, we derived revenue from the provision of software services to 41 other suppliers with an aggregate amount of RMB140,000, RMB0.8 million and RMB0.6 million, respectively.

To the best knowledge, information and belief of our Directors, save as disclosed above, none of our customers was also our suppliers, or *vice versa*, during the Track Record Period.

COVID-19 OUTBREAK

The outbreak of COVID-19 in China in the first quarter of 2020 have led to the imposition of various pandemic mitigation measures by the PRC Government, including lockdown, suspension of construction work, travel bans and strict social distancing and quarantine measures. There was a resurgence of COVID-19 cases in certain major cities in China throughout 2022. According to the Frost & Sullivan Report, preventive and control measures for COVID-19 were imposed in Tianjin for a total of 299 days in 2022. We did not suffer suspension for our major construction projects in 2022, such as Tianjiang Apartment Projects (天江公寓項目), due to the implementation of close-circuit management measures at the construction site. We encountered minor delays in the construction progress in some of our projects in 2022, but it did not affect our revenue for the year. However, the certification, settlement audit and payment settlement process of certain projects of our Group experienced delays due to suspension of business operations or remote working arrangement of our certain customers, which partly led to an increase in our contract assets and trade and bills receivables during the Track Record Period. The certification progress of some of our projects were delayed from the fourth quarter of 2022 to the first half of 2023, leading to a delay in the conversion of contract assets to trade receivables in the amount of RMB87.2 million as of December 31, 2022. As of the Latest Practicable Date, RMB74.5 million out of such RMB87.2 million were subsequently converted to trade receivables. In late 2022, China began to relax its policy in relation to the COVID-19 and most of the travel restrictions and quarantine requirements were lifted in December 2022.

During the COVID-19 outbreak, both government policies on public health and the customer's requirements for project schedule became more stringent, and we implemented COVID-19 preventive measures in office and at our construction sites in order to comply with such requirements, including distribution of COVID-19 preventive kits to employees and construction workers such as masks and thermometers, regularly disinfecting our office and construction sites and adopting centralized office or remote office measures during specific periods to prevent personnel infection. In order to enhance the health and safety awareness of our employees, we provided online training courses and assessments to our employees according to their job and duty requirements. We were able to protect our safety while providing professional services without material interruption to our business operations due to our enhanced staff training especially on environmental hygiene. We incurred administrative expenses in relation to purchasing COVID-19 preventive supplies in a total amount of approximately RMB0.1 million during the Track Record Period.

Despite our Group experienced lengthened certification, settlement audit and payment settlement process of certain projects as described above during the COVID-19 outbreak, our Directors are of the view that the COVID-19 outbreak did not and do not expect to have material adverse financial and operational impact on our Group. Our Directors believe that with the lifting of the COVID-19 restrictive measures in 2023, coupling with the continuous growth of the construction market in the PRC, the residual impact of the COVID-19 outbreak will gradually eliminate. Our Directors are optimistic about the pace of the certification and payment settlement process of our customers as well as the improvement in our Group's balance of contract assets and trade and bills receivables.

We will continue to actively follow-up with our relevant customers to update the status of their payment approval process and urge for their settlement of our outstanding trade and bills receivables.

QUALITY CONTROL AND MANAGEMENT

We are committed to providing professional construction services to our customers. Our Group continued to possess the ISO 9001 quality management system certification during the Track Record Period. The project management team is responsible for monitoring and managing the quality of work on construction projects. For construction projects, it is critical to the reputation and success of our Group that quality construction works services are provided in a timely and safe fashion. Therefore, we have implemented stringent quality control procedures and maintained relevant reports and records covering different phases of the construction project, including but not limited to the selection of suppliers, procurement of raw materials, project execution and project inspection.

To ensure customer satisfaction with our projects, it is our standard practice to further collect and retain customer feedback on our services following completion of the project contract, and to continuously improve our performance accordingly. During the Track Record Period, the completed construction projects of our Group have all passed quality and safety inspections.

Raw materials inspection

We carefully inspect raw materials provided by our suppliers to ensure that they meet our project requirements, technical specifications and applicable national and/or industry quality standards. Our Group will normally check the product certificates and/or quality inspection reports of the relevant raw materials with our customers and their independent supervisors, and take samples and test certain raw materials to ensure their quality before using them in our construction projects. Raw materials that are defective or fail to meet our requirements, specifications or standards will be returned to the supplier.

Subcontractors

We require our subcontractors to strictly adhere to our quality control measures and practice our quality standards or equivalent as agreed in the project contract during the performance of the construction project. For further details, please refer to the paragraph headed "— Subcontracting" in this section.

Internal records

We have established project management and control procedures, and conduct the construction works in accordance with these procedures to ensure that we comply with the requirements of the construction contracts and the applicable PRC legal requirements. Our project management team is required to maintain reports and records of the construction progress, inspection results, quality and issues for our internal record or, if necessary, submission to the certified laboratory or government.

Customer feedback

In order to maintain and improve the quality of our services and enhance customer satisfaction, we seek and receive feedback from our customers regarding our performance during the ordinary course of business. Usually, we collect customers' comments on completed projects by means of customer return visits, and record and file such comments. Customer feedback are usually related to the quality of our works. Our established internal policies and procedures aim to respond to and record feedback from our customers, and we also follow up with customers to review our responses. Our customer satisfaction survey collects our customers' feedback on several aspects of our services, including but not limited to our project progress, project quality, fulfillment of contractual responsibilities, project management and personnel quality. These internal policies and procedures apply to all of our construction works projects. Upon receipt of feedback from a customer, the project team will, depending on the feedback and project status, improve the quality of the project, primarily by on-site rectification, repair and rework until the customer is satisfied. Most of our customers gave us feedback which indicated their future cooperation intentions with our Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

ESG management

Our Group recognizes potential impacts of environmental, social and governance (ESG) matters on our Group's business, by proactively identifying and confirming our Group's responsibilities in such respect, while committing ourselves to complying with the reporting requirements of the Hong Kong Stock Exchange in relation to ESG following our [REDACTED].

In fulfilling our ESG responsibilities, our Board is jointly and collectively responsible for (i) overseeing the formulation and reporting of ESG strategies, objectives and internal monitoring measures; (ii) assessing and defining ESG-related risks; and (iii) monitoring the progress of ESG-related performance indicators and targets. Our Group establishes the environmental management steering group, which is headed by the president of our Group with the vice president as the deputy head, and comprises key responsible officers from our Group's safety and environmental protection department, engineering management department and other departments. This steering group is mainly responsible for reviewing and approving the environmental protection management system and long-term planning, while carrying out the rectification and monitoring of hidden dangers of hazardous sources, as well as the assessment of environmental protection work. To constantly improve our ESG performance, we appoint professional ESG consultants to assist us in making necessary improvements, and plan to set up an ESG leading group after the [REDACTED], which is responsible for the overall assessment of ESG-related risks, the formulation and implementation of ESG vision, strategies and objectives, and regular reporting to the Board on our ESG performance and the effectiveness of ESG policies.

Our Group has developed key ESG-related policies and institutional documents, which cover engineering quality and safety, use of energy and resources, environmental impact management, production safety, labor practices, occupational health management, employee development and training, supply chain management, anti-corruption, among other areas, to ensure that our ESG-related practices are carried out in a standardized and effective manner in all aspects. Our Group's Quality, Occupational Health and Safety and Environmental Management Manual is formulated to guide the establishment, implementation, maintenance and review of our Group's quality, occupational health and safety, and environmental management systems. Our Group has passed the ISO9000 quality management system, ISO14000 environmental management system and ISO45001 occupational safety and health management system certification after audit by a third-party organization.

ESG risk assessment and management

We actively identify and manage ESG risks to achieve our business objectives and ensure stable development. Our Group has established and implemented the control procedures for response to risks and opportunities, which detail the identification approaches, means, and assessment methods in response to risks and opportunities, the measures formulated to address risks and opportunities, and the operational procedures for evaluating the effectiveness of such measures, while urging each department to analyze the risks and opportunities and determine the corresponding management measures based on its activities, products, service processes, etc.

Our Group's ESG risks mainly refer to: (i) natural environmental risks, including: the impact of engineering geology and hydrogeology; the impact of climate change (e.g. high temperature, severe cold, rain, snow, wind, and lightning); the impact of natural disasters (e.g. earthquake, tsunami, and hurricane); (ii) social and environmental risks, including: the relationship with the communities around the project site, the protection of the rights and interests of workers, among other things, which may have an impact on construction works, and in some serious cases may result in direct work suspension and schedule risks; and (iii) business ethics risks, including: failure of employees, suppliers or contractors to comply with business ethics requirements (e.g. corruption and dishonesty incidents), which will result in the loss of our business interests and seriously damage our corporate image. The above ESG risks may affect our operating performance and reduce our competitiveness that appeals to [REDACTED]. Our business opportunities may also be adversely affected. For instance, when bidding for a contract, we may be disadvantaged by damaged reputation and poor credibility. In order to uphold our sustainability values, our Group has incorporated ESG considerations into our Group's business.

To effectively respond to and mitigate the above risks, we have adopted several measures to address risks and opportunities to strengthen the identification, monitoring and control of the above ESG risks, including setting key performance indicators ("**KPIs**") and targets for the main ESG risk categories. These specifically include:

Natural environmental risks	We intend to record the number of construction projects delayed due to adverse weather conditions, severe air pollution and natural disasters and the number of days of delay during the project operation hours to assess their impact on the progress of the construction projects and enhance the precautions and emergency response to extreme weather. We plan to incorporate "days of suspension of works due to inclement weather" into the work progress monitoring system and achieve 100% statistical coverage of this indicator for works in progress by 2024. During the Track Record Period, we considered weather factors before formulating project plans, such as observing weather forecasts and confirming the weather conditions for operations before commencement of construction works that are susceptible to adverse weather conditions. This target is expected to be achieved as we further enhance our information technology system and refine our management policies and procedures. We will moderately increase the investment in personnel and equipment for climate-related monitoring and record keeping to achieve the abovementioned target, which we believe can reduce the impact of extreme weather on our operations.
Social and environmental risks	We are committed to establishing equal and mutually beneficial cooperative relationships with subcontractors and subcontracted workers, making payments to appointed subcontractors in accordance with the agreed payment terms and schedules, and supervising subcontractors to pay wages to subcontracted workers in full and on time. We plan to maintain "zero dispute" with our subcontractors on payment matters in 2024. As of the Latest Practicable Date, our Group was not involved in any ongoing/pending material claims or disputes relating to payment with our subcontractors. Achieving this target will enable us to establish more stable cooperation relationships with our subcontractors. To achieve this target, we will closely monitor the payment schedules and payment progress with subcontractors, review subcontractor wage payment schedules, etc..

Business ethics risks	Our Group strictly prohibits employees from accepting or soliciting bribes in any form or manner or requests for bribes from customers and stakeholders, and we encourage and reward the monitoring, stopping, and reporting of acts of corruption. We plan to incorporate integrity-related clauses in all procurement contracts by 2024 and achieve the target of 100% coverage of integrity training for our employees. We enhanced our anti-bribery policies and measures and started to request our major suppliers to provide anti-bribery undertakings to us since early 2023. Since the enhancement of such policies and measures, all of our major suppliers have provided anti-bribery undertakings or similar commitment in favor of our Group.

ESG goal management

We focus on key ESG issues related to the industry and have established management policies in the areas of quality, occupational health and safety, and environment as our strategic focus direction for ESG matters, and have set relevant strategies, action plans and key objectives for our Group. Our Group's quality, occupational health and safety, and environmental policies include the people-oriented practices, safety assurance, prevention-oriented strategies, environmental protection, customer-focused policies, and constant excellence. Our Group has set the quality, environment and safety targets, including: passing rate of 98% or more in one self-inspection of the project; customer satisfaction rate of 90% or more; 100% compliance with noise emission standards; and achieving a record of zero casualties and zero fire accidents. For the year ended December 31, 2023, we were able to achieve the above quality and environmental safety targets.

Environmental protection

We are subject to a number of environmental protection laws and regulations in the PRC, including the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Water Pollution Prevention and Control Law of the PRC (中華人民共和國水污染防治法), the Noise Pollution Prevention and Control Law of the PRC (中華人民共和國噪聲污染防治法) and the Solid Waste Pollution Prevention and Control Law of the PRC (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.

We are committed to reducing the environmental impact of our daily operations under an environmentally friendly business approach in order to achieve long-term sustainable development. For environmental pollution sources such as exhaust gas (dust), waste water, solid waste and noise generated during production and daily operations at construction sites, our Group has fully identified environmental pollution sources and key control measures, and has formulated regulatory documents such as "Engineering Environmental Management System", "Waste Gas, Waste Water and Solid Waste Management System", "Energy Resource Management System" and "Pollutant Control Procedures".

Furthermore, we actively adopt professional environmental protection measures to ensure compliance with GB/T 24001–2016/ISO14001: 2015 standards and relevant PRC laws and regulations.

As confirmed by our PRC Legal Adviser, during the Track Record Period, our Group was not subject to any material penalties, claims, legal proceedings arising from environmental laws or regulations.

Environmental management at construction sites

Our Group's operations at construction sites are subject to certain environmental regulations under the PRC laws, mainly in relation to air pollution prevention and control, noise prevention and control and waste disposal. Our Group focuses on prior prevention rather than end-of-pipe treatment, and requires significant environmental elements and environmental impacts to be taken into full consideration before production and operation activities formally start. We believe that this will help identify specific environmental impacts arising from specific aspects of production and operation, and comprehensive analysis are then performed to tackle the environmental compliance risks that may arise in business processes, and to determine the compliance obligations to be undertaken. Furthermore, risk response measures and solutions will be identified, and a list of risk response measures will be formulated, implemented, and carried out.

During the construction process, our Group strictly implements the "three concurrencies" (三同時) system for construction projects, whereby implementing the concurrent design, concurrent construction and concurrent commissioning of environmental facilities alongside with the main construction entity. The key initiatives taken by our Group at construction sites include: (i) subcontractors are required to conduct in-depth studies on environmental protection regulations and specifications to ensure that the construction process complies with national and local environmental protection requirements; (ii) subcontractors and project managers shall formulate a construction environmental responsibility matrix to clarify their respective responsibilities and obligations in terms of construction environmental protection, with project managers being responsible for environmental protection at construction sites with the support from certain environmental protection management staff; and (iii) project managers regularly organize environmental protection training sessions, and provide remedial training sessions or seminars on the unaddressed or omitted matters.

Major pollution sources	Major treatment measures
Noise management	• Set the noise limits for construction site, specifying daytime and night-time noise limits for earthwork, piling, structure, decoration and other projects. • Control the noise at the construction site, adopt measures such as enclosure and screen blocking to mitigate noise diffusion and control the noise generated at the construction site from the source.

Major pollution sources	Major treatment measures
	• Strictly control the operating hours when carrying out construction in residential areas, avoid working from 22:00 to 6:00 the next day, compulsory notification to the surrounding people in advance in case that it is necessary to perform construction work at night, and filing with the environmental protection bureau where the construction site is located. • Consciously improve the process flow and working procedures in various production activities to reduce the noise generated by various equipment due to prolonged operation. • Strengthen the monitoring of environmental noise at the construction site, and adjust relevant factors exceeding noise standard on construction sites in a timely fashion if their measurement results exceed the standards as set out in the "Noise limits for Construction Site" (《施工場界噪聲限值》).
Atmospheric pollution management	• Optimize traffic management at construction sites, sweep and sprinkle construction roads to reduce vehicle exhaust pollution. • Tightly cover particulate powdery materials such as cement and white ash in the warehouse to prevent dust. • Clean up dust pollutants in the construction site in a timely manner, control dust with dust monitoring equipment on site to detect dust indicators in real time and adjust timely in case of exceeding the standard. • Prohibit the burning of asphalt, linoleum, plastic, garbage or other substances that can produce toxic and harmful soot and odors within the operation area.
Wastewater management	• Establish sedimentation tanks and grease traps in the construction area and living area based on the number of construction personnel and site conditions, and assign a person to cleaning them to prevent the overflow of sewage.

Major pollution sources	Major treatment measures
	• Formulate the complete construction water management measures before the official commencement of the project, and set up temporary drainage systems based on project conditions to discharge wastewater generated into the corresponding municipal pipeline. • Prohibit the discharge of harmful wastewater directly at the construction site and divert and utilize the wastewater.
Solid waste management	• Develop a waste list, which classifies waste into recyclable waste and non-recyclable waste, and clearly defines the material of each type of waste, as well as the corresponding storage, recycling and disposal measures. • Dispose of construction waste in accordance with national and local regulations, strictly implement waste sorting measures, and take measures such as solid waste reduction, reuse, and recycling to minimize the generation of construction waste. • Recycle and store used fluorescent tubes, used dry batteries and other hazardous waste (if any on site) in a unified manner, and then hand over the same to a professional third party for disposal after reaching a certain amount. • Recycle and incinerate the oily solid waste (if any) generated in construction and production in a designated boiler room for disposal.

Use of energy and resources

Our Group consumes electricity, fuel and water in its daily operations, construction and processing processes and is subject to relevant provisions of the Law of the People's Republic of China on Energy Conservation (中華人民共和國節約能源法) and the Water Law of the People's Republic of China (中華人民共和國水法). Our Group has formulated the Energy and Resources Management System (能源資源管理制度) to allocate and utilize energy and resources effectively in order to reduce the consumption of electricity, fuel and water at construction sites and in office activities.

Our Group has established a comprehensive energy and resource management system, which specifies that the president is responsible for the overall management of energy planning, usage, statistics, supervision and measurement, and collaborates with professional departments to carry out statistics and monitoring of energy consumption, formulate energy-saving technology solutions, and carry out research and development and promotion of energy-saving technologies. Our Group sets annual energy objective and indicators and formulates energy-saving work plans and measures according to the energy consumption per unit of output value.

Energy and resource category	**Major energy-saving measures**
Construction materials	• Establish material consumption record, and formulate material control methods and consumption reduction measures. • Carry out recycling of waste materials effectively by improving the system of material procurement, inspection, receipt and recycling, while ensuring the availability of materials.
Electricity consumption for production	• Reasonably allocate and use electrical energy, measure electricity consumption according to regulations, and make statistical records of electricity consumption. • Only switch on electric machinery and equipment as needed, and prohibit empty running for a long period. • Select, reasonably install and use as needed, energy-saving lighting products at the construction site.
Oil consumption for production	• Only switch on machinery and equipment whenever it is used, and prohibit empty running for a long period, and establish a corresponding record to assign special personnel to manage. • Make regular inspection of machinery and equipment, and repair and maintain machinery and equipment in time if running, overflowing, dripping, or leakage is identified. • Regularly carry out energy cost statistics based on the operation time and energy consumption of machinery and equipment, and rectify any abnormal energy consumption in time if the cause is identified.

Energy and resource category	Major energy-saving measures
Water consumption for production	• Adopt advanced water-saving construction technology in construction; and adopt effective water-saving measures for on-site agitation and irrigation. • Design and arrange the water supply pipe network at the construction site according to the water consumption and adopt effective measures to reduce the leakage of the pipe network and water-using appliances. • Use water recycling devices for washing machinery, equipment and vehicle at the construction site. • Adopt water-saving appliances for domestic water in the office and living areas of the construction site, install water metering devices and adopt targeted water-saving measures.

The breakdown of our Group's major energy consumption and GHG emission during the Track Record Period is as follows:

	For the year ended December 31,		
	2021	2022	2023
Electricity consumption (megawatt hour (MWh))	774.9	903.4	613.6
Natural gas (kilostere)	2.0	4.0	2.0
Gasoline (tons)	31.8	27.8	16.7
Comprehensive energy consumption (tons of standard coal)	144.7	157.3	102.6
Comprehensive energy consumption intensity (tons of standard coal/per RMB million of revenue)	0.53	0.55	0.32
Greenhouse gas emissions (tons of carbon dioxide equivalent)	572.7	643.5	428.8
Scope 1 Greenhouse gas emissions (tons of carbon dioxide equivalent)	99.9	92.3	54.4
Scope 2 Greenhouse gas emissions (tons of carbon dioxide equivalent)	472.8	551.2	374.3
Greenhouse gas emission intensity (tons of carbon dioxide equivalent/per RMB million of revenue)	2.1	2.2	1.4

Note: Due to the nature of our business, and subject to seasonal factors, we usually incur more energy and carbon emissions in the second half of the year than the first half of the year.

As compared with 2021, Our Group's energy consumption generally followed an increasing trend in 2022 as described above. This was mainly due to the increase in the scale of the construction projects undertaken by us and was generally in line with our business development. Our Group's energy consumption decreased in 2023 as compared to 2022, which was due to the Group carried out a photovoltaic power generation project in 2023 and upgraded our gasoline vehicles to electric vehicles partially. As compared to 2022, our comprehensive energy consumption intensity and greenhouse gas emission intensity for 2023 were generally on a downward trend. We aim to continue the downward trend in the coming years and we plan to control our greenhouse gas emissions intensity to no more than 2.0 tons of carbon dioxide equivalent/per RMB million of revenue by 2025.

The GHG emission data in the table above covers both Scope 1 and Scope 2 emissions resulted from our operations. According to the GHG Protocol, we have scope 3 emissions in our value chain arising from purchased goods and services, upstream transportation and distribution, business travel, employee commuting, and other categories of activities. We are aware of the significance of reducing our Scope 3 emissions, which we plan to commence relevant data collection and calculation in accordance with the Guidance on Climate Disclosures and expand the disclosure of Scope 3 emissions over time in the future.

Climate-related risks and potential impacts

To promote sustainable development and taking into account the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), our Group has identified certain climate change risks, including physical and transition risks that could adversely affect our business, operating results and financial condition by studying government policies and benchmarking practices against our peers. Our Group incorporates such risks into its risk management system, optimizes its business layout in a scientific manner, and takes action to enhance its resilience to climate risks in an integrated manner.

Climate risk category	Climate risk factors	Risk description	Impact level	Potential impact
Acute physical risk	Extreme weather events	The increased frequency of catastrophic weather such as typhoons, rainstorms, snowstorms, and droughts may lead to interruptions in the Company's operations, extension of construction period, and may cause secondary disasters, resulting in personal safety, environmental pollution and other incidents.	High	Increase in operating costs Asset impairment and depreciation

Climate risk category	Climate risk factors	Risk description	Impact level	Potential impact
Long-term physical risk	Chronic natural disasters	Chronic natural disasters such as changes in rainfall and increases in average temperatures will gradually affect coastal and inland areas. Climate change in the medium to long term may affect the Company's business continuity and business cost expenditures, such as increased operating expenses or costs related to increased demand for cooling or replacing damaged assets.	Low	Increase in operating costs Asset impairment and depreciation
Transition risk	Energy control requirements	In the context of the transformation of energy structure in China, we may face power outages and power restriction measures, which may lead to the interruption of the Company's operations in the short to medium term, or increased investment in energy facility renovation and higher operation and maintenance costs, thus resulting in production interruptions or longer construction period.	Medium	Increase in operating costs
	Shift in market demand	As the concept of green building and green construction becomes popular in the society, the contracting parties may incorporate green building into the contracting requirements or construction standards. If our Group's greening and low carbonization in engineering construction fails to meet the market expectation, the Company's market expansion will be affected.	Low	Declining demand for products and services Decrease in sales revenue

In addition to the aforementioned climate risk factors, climate change may also bring emerging business opportunities for our Group's business development such as green building, including but not limited to: (i) in the context of the global response to climate change and the promotion of achieving carbon neutrality targets, government is actively formulating policies and plans to promote the development of green buildings and business opportunities related to green buildings or the energy-saving and green renovation of existing buildings; (ii) changes in market and customer preferences may bring more business opportunities for construction engineering enterprises that have green building technologies and apply environmental protection measures in the construction of their buildings; and

(iii) construction engineering enterprises will be able to accelerate their green transformation process, build a good reputation and social reputation and gain recognition from [REDACTED] by implementing building electrification projects, promoting new green construction methods and facilitating the application of green building materials.

Occupational health and safety

Our Group is subject to the Law of the People's Republic of China on Work Safety (中華人民共和國安全生產法), Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), Fire Prevention Law of the People's Republic of China (中華人民共和國消防法), Emergency Response Law of the People's Republic of China (中華人民共和國突發事件應對法) and other PRC laws regarding labor, safety and work-related incidents, as well as the Administrative Regulations on the Work Safety of Construction Projects (建設工程安全生產管理條例), Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (生產安全事故報告和調查處理條例), Regulations on Emergency Response to Work Safety Accidents (生產安全事故應急條例) and other PRC regulations. During the Track Record Period, our Group has not experienced any major accidents involving personal injury or property damage and has not been subject to any administrative penalties or claims for compensation for violations of laws and regulations relating to work safety and occupational health.

Occupational health and safety management system

Under the full implementation of the safety policy of "safety first, prevention foremost", our Group implements various safety management measures to ensure the normal production and operation of projects, and actively strives to achieve "zero record" of casualties. In order to reduce potential safety risks, our Group has established a comprehensive occupational health and safety production management system by formulating the Safety Management System (安全管理制度), the Emergency Plan for Work Safety Accidents (安全生產事故應急預案), the Safety Operation Procedures for Construction (工程施工安全操作規程) and other rules and regulations related to work safety and occupational health. Our Group regularly identifies rules and regulations related to work safety and occupational health, updates environmental and occupational health and safety objectives and indicators and their management plan, and reviews environmental and occupational health and safety objectives and indicators.

Our Group has established a safety production committee with the president as the chairperson and the manager of the safety and environmental protection department as the deputy chairman, whose members include the head of the engineering management department and the head of each project department. Our Group has also established a safety officer team for organizing and implementing safety education on construction sites, organizing regular and irregular safety inspections for each team, and investigating and handling accidents on construction sites.

In the meantime, our Group fully implements the project production safety responsibility system, in which the project manager takes full responsibility for the safety production of the project department, and holds monthly safety production meetings to analyze and study the safety production situation and keeps meeting minutes; the project technical personnel bears overall responsibility for all technical issues in construction production, leads the promotion, education and training of safety technology, and puts forward suggestions for improvement in terms of technology and measures for safety hazards.

Safety risk classification and control

Our Group has prepared a "Safety Risk Classification Control and Clearing List", which identifies a full range of operational activities and hazard sources involved in machinery and equipment, public management, road and drainage construction, and office living areas at the construction site. The accidents that may be caused by related risks include: falling from height, object strikes, collapse, mechanical injuries, vehicle injuries, fire and electric shock.

The main safety measures taken by our Group to address potential safety risks during construction include:

Potential safety risks	Safety precautions
Falling from height	• Provide special education and safety disclosure to the relevant personnel, and conduct regular safety training and assessment. • Develop a security management system and conduct regular safety inspections. • Affix maintenance rails and safety warning signs in the workplace. • Require all personnel to wear helmets at construction sites; and require workers working at height to wear safety belts.
Object strikes	• Provide special education and safety disclosure to the relevant personnel, and conduct regular safety training and assessment. • Prohibit excessive material accumulation (no more than 1.5 meters), and try to accumulate the materials in an open space with few people. • Firmly set up scaffolding, upon which no materials and tools are stored.

Potential safety risks	Safety precautions
Collapse	● Provide special education and safety disclosure to relevant personnel, and conduct regular safety training and assessment. ● Standardize slope placement, do not exceed the load limit at the edge of the ditch (no piling of materials within 1 meter of the pit), and monitor the changes of the slope. ● Engage specialists to organize the demolition work and coordinate with each other.
Mechanical injuries	● Provide special education and safety disclosure to the relevant personnel, and conduct regular safety training and assessment. ● Develop safe operating procedures for vehicles at construction sites, prohibit construction vehicles from running with failure, overloading, etc.. ● Operate all kinds of earthwork machinery without failure, keep a safety distance from the edge of the pit, and require the operators of such machinery to be equipped with certificates. ● Operate all kinds of machinery without failure, equip complete protective cover, prohibit illegal operation and misoperation, and assign a person to look after it when repairing.

Safety inspection and accident reporting

Our Group conducts regular inspection and evaluation on the construction sites to understand the status of safe production and timely identify unsafe behaviors and accident hazards, truthfully reflects the places and degrees of hidden danger, qualitatively and quantitatively analyzes the causes, timely formulates rectification measures and plans, and organizes rectification within a limited time. In particular: company-level inspection is organized by the engineering management department once a month, with the participation of the safety and environmental protection department; project-level inspection once a week, with the participation of technical leaders, safety officers and construction workers; and daily safety inspection is conducted by the project team.

Our Group has formulated the Emergency Plan for Work Safety Accidents (安全生產事故應急預案), and established an emergency plan system for various types of accidents, including comprehensive emergency plan, special emergency plan and on-site disposal plan. Emergency actions are carried out according to the controllability, severity, and scope of impact of work safety accidents, and reported in a timely manner based on the accident level. Our Group requires that all types of safety accidents shall be recorded in detail, reported in a timely manner, and all personnel shall be organized to analyze the causes and put forward preventive measures. In the process of accident investigation, we shall objectively, impartially, accurately and timely find out the cause of the accident, the process of the accident, the recovery, the loss of the accident, the liability for the accident, post-accident compensation, etc., then issue an accident report and put forward preventive measures and accident liability treatment.

Safety education training

Our Group requires all new employees in the project department (including outsourced workers, contract workers, temporary workers and management personnel) to receive "three-level" (company, project department and project team) of safety education and be allowed to work only after passing the education. Each project department unifies the establishment and management of individual employee's "safety education record cards", which are organized and filed by construction teams and project teams. Our Group requires all construction workers to study the safety operation procedures and relevant safety system two to three times a year. In addition to general safety education, personnel engaged in electrical, tower crane, construction elevator, welding, vehicle driving, etc. is also required to conduct special training and shall not engage in operation until passing the examination and obtaining the operation certificate, which is subject to review every two years.

In order to further implement the main responsibility of work safety and strengthen safety precautions, our Group organized a series of activities in relation to the theme of "Work Safety Month" in June 2022, with the theme of "Complying with the Work Safety Law and Being the First Responsible Person (遵守安全生產法當好第一責任人)", focusing on fire safety knowledge training and fire emergency drills. At the same time, our Group also actively cooperated with main contractors to conduct various work safety trainings to effectively promote construction personnel to enhance their safety awareness at operation level.

The breakdown of our Group's occupational health and safety records for the Track Record Period is as follows:

	For the year ended December 31,		
	2021	2022	2023
Number of work-related fatalities	—	—	—
Rate of work-related fatalities (%)	—	—	—
Number of work-related injuries	—	2	—
Lost days due to work-related injuries (days)	—	30	—

Note: The statistics in this table covers the Group only and does not include that of our suppliers or subcontractors.

During the years ended December 31, 2021, 2022 and 2023, our Group had nil, two and nil workplace accidents, respectively. The two workplace accidents that occurred in 2022 resulted in a loss of total 30 working days for the two injured employees.

After the occurrence of the aforementioned accidents, our Group applied to the local social insurance administrative department for a work injury assessment and applied for work injury insurance compensation. The relevant employees were allowed to take paid sick leave. According to the work injury assessment, neither of the work-related accidents was categorized as a disability grading or affected the labor capacity of the employees in terms of their severity, and the two employees returned to normal work after 15 days of recuperation. According to the relevant written decisions of work-related injury made by the Human Resources and Social Security Bureau of the Tianjin Economic-Technological Development Area, the abovementioned two injuries were work-related injuries, therefore, compensations were made to the injured employees by the social insurance fund. The two injuries were mainly caused by the inadvertence of the employees and no fault of our Group was involved.

During the Track Record Period and up to the Latest Practicable Date, our Group has not received any rectification notices from or has been subject to any administrative penalties imposed by the relevant governmental authorities in relation to the two work-related injuries, and has not been subject to any claims or penalties in relation to any workplace accidents.

The two work-related accidents were minor injuries and did not meet the minimum standards set by the relevant national authorities for recognizing work safety accidents. Based on the above, the Directors are of the view, and our PRC Legal Adviser concurs, that the two work-related injuries did not constitute violation of the applicable PRC laws and regulations by our Group. Apart from the loss of working days for the injured employees, there was no significant negative impact on our Group in other aspects. As of the Latest Practicable Date, our Group was not aware of any adverse credit record in respect of work safety against us and had not experienced any restriction on tendering or suspension of tendering activities due to our record of workplace accidents.

Our Group's occupational health and safety management system includes a reporting and recording system for construction site safety incidents. Our Group will immediately activate the safety production contingency plan system and report the incident at each level in accordance with the requirements of the relevant regulations, in case a safety injury occurs within the boundaries of our Group's construction sites. We also require our subcontractors to comply with the relevant occupational health and safety requirements. For details, please refer to the paragraph headed "— Environmental, Social And Governance Matters — Occupational health and safety — Contractor safety management" in this section.

Contractor safety management

Our Group has formulated the "Subcontractor Control Procedures (分包方控制程序)" to ensure that subcontractors meet the stipulated requirements in terms of construction quality, occupational health and safety and environmental protection. In terms of safety, our Group conducts the review and filing of business licenses, corporate qualifications, safety production permits and safety production qualifications of relevant personnel for subcontractors who undertake subcontracting projects, and requires subcontractors to conduct targeted pre-shift safety disclosures to construction workers according to the different characteristics of daily work tasks, and submit the disclosure records to the project department for filing by the 25th of each month. The commercial contract department of our Group is responsible for organizing relevant departments to inspect and evaluate the performance of subcontractors.

Protection of labor rights and interests

Our Group strictly prohibits child labor and forced labor and enters into labor relations with employees on a voluntary and equal basis. Recruitment of employees is conducted through regular recruitment websites and age restrictions are imposed on interview candidates in the recruiting requirement. Candidates cannot enter the interview process of our Group if they are under 18 years old. At the same time, our Group attaches importance to the employee conduct management and strictly prohibits verbal abuse of colleagues or each other and retaliation against subordinate employees, and encourages employees to expose or complain about inappropriate behavior. In terms of performance and remuneration, our Group conducts monthly and annual appraisals of employees based on the Performance Management System (績效管理制度) and the Measures for the Assessment of the Completion of Work Tasks (工作任務完成情況考核辦法), and the appraisal results will directly affect the amount of the employee's performance-based wages and future salary adjustments.

Employee's benefits and care

Our Group sets out in detail the working hours, holidays, remuneration and benefits, job duties and performance, and employee conduct management measures in the Employee Handbook. All employees work five days per week and are provided with welfare leaves such as marriage leave, maternity/paternity leave, paid annual leave and medical treatment period for sickness or non-work-related injuries, in addition to statutory holidays. Meanwhile, our Group also carries out a variety of employee care activities, including: (i) annual meeting, monthly birthday parties and staff reunion activities; (ii) basketball game, photo contest, badminton match, essay competition and other recreational and sports activities; and (iii) additional leave for female employees and employees with children under 14 years of age on Women's Day and Children's Day, respectively.

Employee training and development

Our Group provides necessary induction training and timely on-the-job training for its employees based on its business needs to help them to be competent for professional and technical skills work and daily project work management. Our Group encourages its employees to become multi-talented and to achieve diversified growth through professional skills advancement training, cross-field skills training, and middle and senior management skills training.

Our Group will implement a new performance management system and promotion system in 2023, with the aim of providing employees with clearer performance incentive programs and career planning and promotion routes, and offering more promotion opportunities to employees with excellent performance. In particular, performance management is carried out based on the data from our Jiexiao System, which provides an objective evaluation of employees' achievement of tasks and the timeliness of work approval process, generating corresponding performance scores, thus achieving a balanced performance management for employees.

Integrity and business ethics

Our Group is committed to creating a fair, just and open business management environment. In its Anti-Fraud and Whistleblowing System (反舞弊與舉報制度), our Group has clearly defined the definition and conduct of fraud, and clarified that the Board is responsible for supervising the management to establish a Group-wide anti-fraud cultural environment and to establish a sound internal control system including fraud prevention. Our Group requires all employees to comply with our Group's code of conduct, code of ethics and the laws and regulations applicable to the country and industry. In the event of any fraud, it should be reported to our Group through proper channels. Our Group has set up handling hotlines and e-mails responsible for receiving fraud reports and complaints with senders' names or anonymous reports from employees and external third parties, preparing written records accordingly and reporting to the management or the Board in a timely manner. Any illegal discrimination or retaliation against whistleblowers or hostile measures against employees involved in investigations are prohibited.

Our Group strictly prohibits employees from accepting or soliciting bribes from customers and stakeholders in any form or in any way. At the same time, we encourage and reward the supervision, suppression and reporting of any corruption. It is required that during our evaluation and bidding process for selecting subcontractors, potential bidders shall not be restricted or excluded, or discriminated against, under unreasonable circumstances. During the Track Record Period, neither our Group nor our employees were found to be involved in corruption in any proceedings.

Public welfare and contribution to communities

Our Group is committed to being a socially and environmentally responsible corporate citizen that contributes actively to the local community. During the Track Record Period, our Group's community contribution activities mainly included:

- Donations and educational support activities: Our Group made a donation to the Happiness Primary School (幸福小學) in Baishui Town, Kongtong District, Pingliang City, Gansu Province, to support the school's 2021 "June 1 Children's Day Art and Culture Show (六一兒童節文藝匯演)", through which the students were provided with a platform to showcase and exercise their talents.

- Support for pandemic prevention and control: During the outbreak of COVID-19, our Group strictly followed local pandemic prevention and control policies, cooperated with local community in pandemic prevention and control arrangements, and encouraged employees to participate in volunteer services within their capabilities such as pandemic prevention posts and maintenance of order during nucleic acid testing. Our Group was recognized by the local street working committee and office.

- Participation in community winter snow removal: During the winter season of 2021–2022, when there were heavy snowfalls, our Group dispatched employees and professional vehicles to participate in snow and ice removal, supporting the smooth flow of urban roads and the safe travel of the public.

INSURANCE

We purchase insurance as required by PRC laws and regulations and based on an assessment of our operational needs and industry practices. We are subject to the PRC social insurance system and are required to make contributions to social insurance for our employees, including basic pension, basic medical, unemployment, work injury and maternity insurance for our employees. We procure project insurance directly from qualified insurance companies, which mainly includes production safety liability insurance, all construction risks and accident insurance. We adopt the normal industry practice for performance-related insurance (i.e., performance bond), using the guarantee letters issued by the insurance companies to cover the related liabilities while reducing the cash flow burden.

Our Directors believe that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. For more details, please refer to "Risk Factors — Our insurance policies may not be adequate to cover all risks of loss associated with our business operations" in this document. We have not encountered any significant insurance disputes during the Track Record Period.

INTELLECTUAL PROPERTY

We rely on patents, copyrights, trademarks and domain name registrations to establish and protect our intellectual property rights. As of the Latest Practicable Date, we have registered 23 patents, 17 software copyrights, 35 trademarks and seven domain names in the PRC, three trademarks in Hong Kong, and have two patents pending registration in the PRC. For further details of our material intellectual property rights, please refer to the paragraph headed "Statutory and General Information — B. Further information about our business — 2. Intellectual Property Rights" in Appendix VII to this document.

During the Track Record Period and up to the Latest Practicable Date, our Group was not involved in any material claims or disputes relating to infringement of intellectual property rights. The Directors are not aware of any third party using our intellectual property rights and believe that our business has not faced any significant potential impact due to infringement of intellectual property rights.

R&D

As a construction group offering comprehensive construction services, our R&D activities focus on technological innovation and the development of digital management systems that are critical to our business. As of the Latest Practicable Date, our R&D team consisted of 42 employees including personnel with qualifications of mid-level and senior engineer, construction engineer or cost engineer, who possess extensive experience and in-depth understanding of our business requirements to provide technical guidance to our R&D activities and enhance the overall research capability of our Group to keep up with market trends.

Our R&D investments and technological achievements

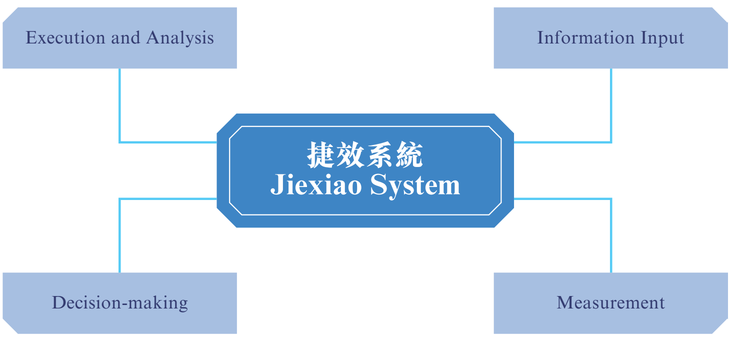
For the years ended December 31, 2021, 2022 and 2023, we invested RMB11.0 million, RMB10.2 million and RMB8.3 million, respectively, in research and development expenses during the respective periods. In order to maintain our market competitiveness and position, we strive to develop construction technologies and adopt best industry practices. As of the Latest Practicable Date, our Group had 19 utility model patents and four invention patents relating to construction technologies, which are mainly related to the research of construction technologies for building equipment, pipe structures, municipalities and public facilities.

As a result of our R&D capabilities, initiatives and achievements, we have been recognized as a "High and New Technology Enterprise" since 2019 and continued to enjoy a preferential corporate income tax rate of 15%. We renewed this certificate in December 2022 and are entitled to a preferential income tax rate of 15% for the three years from 2022 to 2024. The "High and New Technology Enterprise" status is subject to review by the relevant PRC authorities every three years. If we are unable to review the "High and New Technology Enterprise" status upon expiration, we will be subject to a uniform corporate income tax rate of 25% from the year of expiration, which in turn will result in an increase in our income tax.

Our Jiexiao System

We are committed to the application of information technology to enhance our competitiveness, improve our service quality, reduce our reliance on labor and decrease the costs and expenses incurred. We self-developed Jiexiao System for our business and daily operations, which has been extensively used in our project management during the Track Record Period. As various data in relation to our construction projects is input into the system, our management team can utilize different functions of the Jiexiao System to, among other things, closely monitor and measure the progress of and cost incurred in our construction projects.

The diagram below illustrates the major functions of the Jiexiao System:



The Jiexiao System encompasses a variety of functions which can be categorized into: (i) information input; (ii) measurement; (iii) execution and analysis; and (iv) decision-making. The details of each of these four types of functions are set forth below:

(i) Information input

We input various information into the Jiexiao System throughout the course of our construction projects, including information in relation to our construction projects, contracts, customers and suppliers. By inputting such basic information into the Jiexiao System, we have established a database of our construction projects, contracts, customers and suppliers. Thus, we can associate or link subsequent processes in our construction projects (such as progress monitoring, purchase for and receipt of delivery of raw materials, calculating cost incurred, payment, issue of invoices, etc.) with the corresponding construction projects, contracts, customers and suppliers in the Jiexiao System.

(ii) Measurement

Our staff input various data into the Jiexiao System using mobile devices during the course of our daily operation. Using such data, we can measure on a daily basis the costs incurred for (a) raw materials, by recording the amounts of raw materials delivered through uploading photographs of the raw materials, which would be watermarked as proof of authenticity of the delivery and the amounts, and the relevant delivery notes; (b) equipment, by ascertaining the time of usage of the machinery through uploading watermarked photographs of the operation panel of the machinery before and after use; and (c) subcontracting labor, by recording the working time of our subcontracted workers through the face scanning function of the Jiexiao System and requiring subcontracted workers to wear RFID tags so that our management team can perform attendance inspections on sites.

(iii) Execution and analysis

The Jiexiao System also assists our management team to (a) manage the budget and costs of construction projects; (b) manage the progress of construction projects; (c) process applications for payment and receipt of payment; and (d) process applications for issue of invoices.

Manage budget and costs — during the preparation phase of each of our construction projects, we would prepare and upload a budget for such construction project to the Jiexiao System, which would be used as the basis for controlling our costs incurred. Throughout the course of our construction projects, if we notice any purchase which would render the costs incurred exceeding the estimated amount in the uploaded budget, then the request for purchase (to the extent of the amount in excess) would be rejected, unless approved by our president (in which case we would require that the uploaded budget be promptly adjusted accordingly), thereby preventing over-spending.

Manage progress — by comparing the budget and the actual costs we incurred, we can ascertain the progress of our construction projects, and make adjustment in case we notice any deviation from the planned schedule.

Process application for payment and receipt of payment — the applications for payment to suppliers and receipt of payment from customers are processed through the Jiexiao System. Our staff would submit such application to the Jiexiao System with the necessary information and documents. Our management team would review the application and decide whether to approve the application.

Process application for issue of invoices — our staff would submit applications for the issuance of invoices through the Jiexiao System with the necessary information and documents, and would only issue invoices after obtaining approval from our management team.

(iv) Decision-making

The Jiexiao System is equipped with the functions of (a) statistics of information; (b) management of targets; and (c) arranging for meetings. Our management team can promptly handle various processes of our construction projects through the mobile or web application interfaces of the Jiexiao System and make decisions based on the data stored in the system.

Statistics of information — by collecting information in relation to our projects, contracts, customers and suppliers, we can generate statistics and indicators for such information to ascertain the costs incurred, progress and quality of our construction projects.

Management of targets — our management team would set deadlines for the tasks and targets to be completed by our staff. The Jiexiao System records information such as the progress and status of completion of the targets and the actual completion time. Our management team would conduct a review of the completion of targets on a weekly basis.

Arranging for meeting — Our staff can also arrange for meeting through the Jiexiao System, which would send invitation to the relevant participants, thereby facilitating problem-solving through prompt communication.

Screenshot of the web application interface of the Jiexiao System

During the Track Record Period, we applied the Jiexiao System to the operation of projects undertaken by our Group. Through practical application of the Jiexiao System and continuous improvement of its functions, we have enhanced our capability to, among other things, monitor and control the processes of our construction projects, performance of contracts, costs incurred, quality and completion of targets, thus improving our customers' satisfaction and strengthening our competitiveness in the market. We also strive to improve our ability to confirm and control the costs we incurred, such as costs of raw materials, equipment and labor, more expediently and accurately through deployment of our software and technologies.

During the Track Record Period, we provided software services in relation to the Jiexiao System to external parties, such as our suppliers and other construction companies. Our services include platform configuration services of the Jiexiao System according to the requirements of the software subscribers, cloud storage services and provision of technical support and training services. We charge the subscribers platform subscription fee and other service fees, which is generally charged on a cost-plus basis. In determining our service fees, we take into account factors such as the scope of services, manpower required and level of competition. For the years ended December 31, 2021, 2022 and 2023, our revenue generated from the provision of software services amounted to RMB0.1 million, RMB0.8 million and RMB0.6 million, respectively.

Uniqueness of the Jiexiao System

According to Frost & Sullivan Report, our self-developed software, Jiexiao System, as compared with other off-the-shelf construction management software, is one of the few construction management software in the market that provides comprehensive functions covering various stages of the construction process, including cost monitoring, progress measuring, resources tracking and other functions. While there are similar software in the market, the developers of the software may not possess the specific knowledge of the construction industry. As such, the functions of those software may not be tailor-made to adapt for construction companies. Most existing software in the construction industry has limitations, and may lack functions covering certain stages of the construction process, such as material management, personnel management, machinery management. They may not be as comprehensive as our Jiexiao System. On the other hand, Jiexiao System is developed based on our comprehensive knowledge and understanding of the construction industry, which sets it apart from other software by providing a wide range of tailor-made functions, including material management, personnel management, machinery management, construction contract management, cost management, production and schedule management, and operational management systems, making it a comprehensive solution for various aspects of construction projects.

As a construction company, we believe that informatization is crucial to our future development. Since the available construction management software in the market are not applicable to our Group, we self-developed the Jiexiao System by applying the parameters of our construction projects and combining our experience and knowledge in the construction industry. Compared with other off-the-shelf construction management software, our Directors believe that our Jiexiao System has the following advantages:

(i) our Jiexiao System is adapted to our business and project needs and various functions can be adjusted according to our project conditions;

(ii) our Jiexiao System can be applied to the whole construction project cycle, from project commencement to project completion, with the ability to retain and store unmodifiable data on the system;

(iii) our Jiexiao System can provide real-time display of project progress, allowing us to monitor our project progress efficiently;

(iv) the user-friendly interface of our Jiexiao System has drag-and-drop functions, and the data source and linked pages can be easily accessed; and

(v) the warning function of our Jiexiao System sends out notification whenever there is abnormal amount of cost recorded, allowing us to have better control of our costs.

Highlights of our construction technologies

A treatment method for roadbed hazards (一種路基危害的處理方法)

Our treatment method for roadbed hazards is developed in view of the operational need to enhance construction safety and useful life of our construction in the saline and alkaline land (鹽鹼地鹽漬土地區) where road cracks and construction corrosion may occur during our construction progress. This method enhances the resistance and anti-freezing capability of the roadbed.

We believe that the use of this method allows us to extend our services scope in different conditions and improve the quality of our construction.

Construction equipment and its construction method for the full casing pile, rotary drilling, rig borehole and bite pile (全套管、旋挖鑽機鑽孔咬合樁施工裝備及其施工方法)

Our construction equipment and its construction method for the full casing pile, rotary drilling, rig borehole and bite pile enable us to avoid mud pollution and improve the quality of rigging borehole. By utilizing the equipment and its construction method, we could improve the loading capacity of our piles and conduct underground pipeline construction adjacent to the building.

We believe that the adoption of this equipment and method can improve the safety of our construction and reduce environmental pollution.

INVESTMENT COOPERATION AGREEMENT

Our Company entered into an investment cooperation agreement with the Tianjin Economic and Technological Development Area Administrative Committee* (天津經濟技術開發區管理委員會) ("**TETDAAC**") on May 16, 2022 (the "**Investment Cooperation Agreement**"), pursuant to which TETDAAC conditionally agreed to provide us with support to improve our Group's business performance and capability in digital engineering. The salient terms of the agreement are as follows:

Duration:	May 16, 2022 to November 30, 2027
Purpose:	To improve our Group's business performance and capability in digital engineering.

Obligations of our Group:	In order to be eligible for the support provided by TETDAAC, our Group shall comply with certain obligations stipulated in the Investment Cooperation Agreement, including: (i) our Group shall comply with the national and local laws and regulations; (ii) our Group shall register and operate in the Tianjin Economic and Technological Development Area; and (iii) our Group shall achieve certain business and financial indicators, including revenue targets and investment amount in R&D for each financial year.
Support to be provided by TETDAAC:	TETDAAC shall provide economic support to our Group in various areas, including operation, investment, technological innovation, subsidies for talents, listing, taxation and marketing.
Termination:	If we fail to meet the relevant requirements in the Investment Cooperation Agreement, TETDAAC has the right to modify or terminate the terms of support and unilaterally terminate the Investment Cooperation Agreement.

During the Track Record Period, apart from receiving economic support from TETDAAC in the aggregate amount of RMB0.1 million, TETDAAC also provided business support to us by lining up our Group as well as organizing exchange sessions with potential customers, including state-owned enterprises. We are continuously following up with TETDAAC to obtain other support as provided under the Investment Cooperation Agreement.

MARKET AND COMPETITION

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

Given the competitive nature of the markets and industries in which we operate, the Directors believe that our competitive advantages have contributed to our Group's success and that, under the management of the Directors and senior management, our Group is well-positioned to capture the growing demands of the construction industry in the PRC. For further details of our competitive strengths, please refer to the paragraphs under "— Competitive Strengths" in this section.

EMPLOYEES

As of the Latest Practicable Date, our employees had formed a labor union which represented the interests of our employees. As of the Latest Practicable Date, our Group had a total of 133 employees, all of whom were located in the PRC. The following table sets out the number of employees of our Group by job function:

Functions	**Number of employees**
General management	15
Project department *(Note)*	45
Commercial contract department	5
Marketing department	5
Procurement department	3
Finance department	5
Safety and environmental protection department	2
R&D department	42
Human resources and administrative department	11
Total	**133**

Note: Our project department consists of, among others, three project teams and a project management team.

We engage subcontractors to provide labor services for our construction projects, and generally do not employ any construction workers. For details, please refer to "— Labor subcontracting" in this document.

We generally recruit employees from the open market by placing job advertisements. We offer competitive remuneration packages to our employees. We also provide regular and *ad-hoc* training courses for our employees to ensure their competency and to keep them abreast of the latest developments and best practices in the industry so as to enhance their performance. For the years ended December 31, 2021, 2022 and 2023, our total staff costs were RMB18.5 million, RMB17.2 million and RMB19.8 million, respectively.

The Directors believe that we maintain good relations with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not face any significant employment-related issues, nor did we experience any disruption to our operations due to labor disputes, and we did not encounter any difficulties in recruiting or retaining senior staff or technical personnel.

Social insurance and housing provident fund contributions

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for 233, 164 and nil of our employees, primarily because some of our employees were reluctant to make contributions to social insurance and housing provident funds based on their actual salaries as they shall bear their portion of the contributions, as a result, the salaries that they actually get would be reduced, compared to the contributions based on a lower standard.

As advised by our PRC Legal Adviser, according to the relevant PRC laws and regulations relating to social insurance contributions, if we do not pay the full amount of social insurance contributions as required, the relevant authorities may demand us to pay the outstanding social insurance contributions within the deadline stipulated by them, and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. We may be liable to a fine of one to three times of the amount of the outstanding contributions if we fail to make such payments within the deadlines stipulated. According to the Regulations on Administration of Housing Provident Fund (《住房公積金管理條例》), for housing provident fund contributions that we fail to pay within the prescribed deadlines, we may be ordered by the housing provident fund management center to deposit the underpaid fund within a time frame; if we fail to deposit such fund within the time frame, the housing provident fund management center may apply to the people's court to enforce collection.

We have obtained written confirmations from local social insurance and housing provident fund authorities, each stating that (i) during the period from January 1, 2021/the date of establishment of our Group companies to January 22, 2024, no violation of laws and regulations in relation to labor and social insurance by us was found, and we had been subject to no administrative penalty related to social insurance; and (ii) during the period from the date of depositing the housing provident fund with the accounts opened by us (i.e. December 2018, November 2022, December 2022, and February 2023 for our Company, Tianjin Binhai, Yujiacheng and Tianjin Zhongjianke, respectively) to January 2024, no violation of laws and regulations in relation to housing provident fund by us was found, and we had been subject to no administrative penalty related to housing provident fund. Our PRC Legal Adviser is of the opinion that the relevant written confirmations are addressed by competent authorities.

As of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to social insurance or housing provident funds and demanding payment of the same before a stipulated deadline. We were also not aware of any material complaints from employees or demands for payment of social insurance or housing provident fund contributions, nor had we received any material legal documentation from the labor arbitration tribunals or the PRC courts regarding disputes in this regard.

As of the Latest Practicable Date, (i) the competent local social insurance and housing provident fund authorities have issued confirmations stating that no violation of laws and regulations in relation to labor, social insurance and housing provident fund by us was found and we had been subject to no administrative penalty related to social insurance or housing provident fund; (ii) according to the Emergency Circular of the General Office of the Ministry of Human Resources and Social Security on Applying the Spirit of the Executive Meetings of the State Council to Practically and Effectively Stabilize the Collection of Social Insurance Contributions (人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) issued on September 21, 2018, self-organized collection and clearance of all past underpayment of enterprises is prohibited; (iii) we have not received any employees' complaints, disagreement or demands in connection with payment of social insurance or housing provident funds, and there were no disputes between our employees and us for social insurance or housing provident funds; and (iv) we are committed to deal with complaints or demands put forward by our employees in respect of past contribution to social insurance and housing provident funds properly and timely, and make supplemental contribution to social insurance or housing provident funds, or pay relevant late payment fees timely in the event that the competent social insurance and housing provident fund authorities demand so in the future. Based on the foregoing, our PRC Legal Adviser is of the view that the risk that we would be subject to fines or late payment fees by relevant authorities in relation to our contributions to social insurance and housing provident funds during the Track Record Period is low. As such, our Directors believe that our failure to fully contribute to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date would not have any material adverse effect on our business operations or results of operations. As confirmed by our Directors, we have made full contributions to housing provident funds and social insurance provident funds for all of our employees since January 2023.

As of December 31, 2023, the outstanding amount of social insurance and housing provident fund contributions amounted to RMB2.8 million and it is estimated that our Group may be subjected to a late payment fee of RMB0.9 million. Since we are committed to make supplemental payment for social insurance or housing provident funds in a timely manner in the event that the competent social insurance and housing provident fund authorities demand us to do so, our Directors believe that no fine will be imposed on us according to the applicable PRC laws and regulations. In consideration of the view of our PRC Legal Adviser that the risk that we would be subject to fines or late payment fees by relevant authorities in relation to our contributions to social insurance and housing provident funds during the Track Record Period is low, we have made provisions in the amounts of RMB1.7 million, RMB0.4 million and nil with respect to the potential liabilities arising from shortfalls in social insurance and housing provident fund contributions during Track Record Period, respectively.

In addition, as of the Latest Practicable Date, we have established various internal policies and procedures to ensure that we make full contributions in relation to social insurance and housing provident funds. These internal policies and procedures include formulating our calculation and payment methods in compliance with the relevant laws and regulations.

PROPERTY

Self-owned properties

Land

As of December 31, 2023, we owned the land use right for a parcel of land with a total area of approximately 10,380.2 sq.m. located at No. 112, Dongting Road, Economic and Technological Development Zone, Tianjin, with planned use for industrial purposes (the "**Office Land**"), and two parcels of common land (共有宗地) with a total area of approximately 85,261.8 sq.m. located at Building 26/27, Bishui Manor, Central Business District, Tianjin Binhai New Area, Tianjin, with planned use for commercial purposes. In respect of the said land use right, we have obtained the relevant real estate certificates. We have the right to occupy and use such land within the scope of use specified in the real estate certificates, the part of land use right owned by us is not subject to any mortgage, seizure, freezing or other restrictions. As of the Latest Practicable Date, the property located on the Office Land was actually used for office purpose. For further details, please refer to the paragraph headed "— Building" in this section.

Building

As of December 31, 2023, we owned three properties with a total gross floor area of 13,064.4 sq.m., including (i) one property with a total gross floor area of 12,595.4 sq.m. located at No. 112, Dongting Road, Economic and Technological Development Zone, Tianjin, with planned use for industrial purposes (the "**Office Property**"); and (ii) two properties with a total gross floor area of approximately 469 sq.m. located at Building 26/27, Bishui Manor, Central Business District, Tianjin Binhai New Area, Tianjin, with planned use for non-residential purposes ("**Bishui Properties**"). As of the Latest Practicable Date, we obtained the ownership certificates of the aforementioned properties. We have the right to occupy and use those properties within the scope of use specified in the real estate certificates, those properties are not subject to any mortgage, seizure, freezing or other restrictions.

As of the Latest Practicable Date, while the Office Property was planned for industrial use, the Office Property was actually rented by Tianjin Zhongjianke, our wholly-owned subsidiary, to our Company and used by our Group as well as certain tenants for office purposes. As advised by our PRC Legal Adviser, the actual use of the Office Property was not in line with its planned use, according to relevant rules of the Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法), a property shall not be leased if its usage is changed in violation of applicable regulations. If a property is leased in violation of the above requirement, the competent construction (real estate) administrative authority may urge the violator to make corrections within a specified time limit, and impose a fine below RMB5,000 if no illegal gains have been obtained, or a fine between three and five times of the illegal gains but below RMB30,000 if illegal gains have been obtained.

According to a confirmation issued by Tianjin Economic-Technological Development Area Bureau of Planning and Natural Resources in June 2023, during the Track Record Period and up to the date of the confirmation, Tianjin Zhongjianke had no record of administrative penalties by the bureau for land or planning matters, and the compatible use of industrial land is an encouraged approach by current urban renewal policies. Further, according to a confirmation issued by Tianjin Binhai New Area Commission of Housing and Construction in June 2023, as of the date of the confirmation, our Company and Tianjin Zhongjianke had been subject to no administrative penalties by the commission for violation of construction and housing management laws and regulations.

Since Tianjin Economic-Technological Development Area Bureau of Planning and Natural Resources and Tianjin Binhai New Area Commission of Housing and Construction, which are competent governmental authorities as confirmed by the PRC Legal Adviser, had issued the above-mentioned confirmations, which confirmed our usage of the Office Property for office purpose conform with the current urban renewal policies and we have not been subject to any administrative penalties in relation to land or property, in response to the consultation about the use of the Office Property by our Group, as of the Latest Practicable Date, the Directors are of the view that the above-mentioned governmental authorities, had no objection to the current use of the Office Property by our Group and our Group can continue to use the Office Property for office purpose. On the other hand, our Company will continue to communicate with the local government authorities in relation to the latest updates in land planning policies to ensure compliance with any future government requirements in relation to the use of the Office Property.

In addition, even if we are required not to use the Office Property for office purpose and to relocate in the future, since the Office Property is used for office purpose, the Directors believe that we will not experience any difficulties in finding alternative premises for relocation and our construction operations will not be disrupted. The estimated cost of relocation will be approximately RMB1.1 million mainly including rent for the premises and renovation fee, which is immaterial and will not have any material adverse effect on our financial conditions.

Pursuant to the Deed of Indemnity, the Controlling Shareholders have undertaken to indemnify our Group in full against any damages, losses and liabilities arising out of or in connection with the failure to continue to use the Office Property due to its planned use or fines imposed by the competent governmental authorities for using the Office Property for office purposes.

As advised by our PRC Legal Adviser, Tianjin Economic-Technological Development Area Bureau of Planning and Natural Resources and Tianjin Binhai New Area Commission of Housing and Construction are the respective planning and housing management administrative authority of the Office Property and, therefore, they are competent governmental authorities to issue the aforementioned confirmations. Based on the aforementioned confirmations and the Deed of Indemnity, our PRC Legal Adviser is of the view that the risk that our Group would be subject to material adverse impact due to inability to continue to use the Office Property or being fined as a result of the unconformity between the actual use and the planned use of the property is relatively low.

Transfer of Bishui Properties to our Company

In May 2023, the Bishui Properties, with a total gross floor area of approximately 469 sq.m., were transferred to our Company to satisfy debt payment pursuant to a court ruling dated September 29, 2018, details of which are as follows:

In 2014, our Company entered into a construction contract with Tianjin Hengzeng Property Real Estate Development Co., Ltd.* (天津市恒增房地產開發有限公司, "**Tianjin Hengzeng**"), an Independent Third Party, pursuant to which we undertook construction work for a road pavement and landscape greening project of Tianjin Hengzeng, with a contract price of RMB14,608,545. The construction period was from November 2014 to June 2015. While we completed the construction work as set out in the contract, Tianjin Hengzeng did not make the payment to us according to the contract. Subsequently, we instituted a lawsuit against Tianjin Hengzeng in November 2015, claiming (i) the payment of the contract price of RMB14,608,545; and (ii) priority of compensation to the proceeds from selling off or auctioning the project in dispute to settle the amount owed by Tianjin Hengzeng (優先受償權) (the "**Priority of Compensation**").

In November 2016, the court issued a paper of civil mediation, according to which, our Company and Tianjin Hengzeng mutually agreed that (i) Tianjin Hengzeng shall pay a construction price of RMB11,000,000 to our Company prior to November 7, 2016 for the settlement of the outstanding payment; or (ii) our Company is entitled to the Priority of Compensation. Accordingly, our Company has made loss allowance of RMB14.6 million on trade receivables as of December 31, 2016.

Since Tianjin Hengzeng failed to perform its obligations under the paper of civil mediation, our Company applied to the court for enforcement. The court made a ruling on September 29, 2018 that the Bishui Properties with a total gross floor area of approximately 469 sq.m. shall be transferred to our Company to satisfy the debt payment. Subsequent to the court ruling, Tianjin Hengzeng did not cooperate in the legal procedures regarding the transfer of the Bishui Properties, resulting in a prolonged process for the transfer. Eventually, in May 2023, the legal procedures in relation to the transfer of the Bishui Properties were completed. Accordingly, (i) an amount of RMB9.0 million was recognized as investment properties in May 2023 based on the market value of the Bishui Properties as of May 31, 2023; and (ii) a corresponding amount of reversal of impairment losses on trade and bills receivables of RMB9.0 million was recorded for the year ended December 31, 2023.

Following the transfer of the Bishui Properties, there was no outstanding balance due from Tianjin Hengzeng.

As of the Latest Practicable Date, the Bishui Properties were vacant, and our Company intended to sell them or use them as collaterals for obtaining bank borrowings.

During the Track Record Period and as of the Latest Practicable Date, save for the Bishui Properties, there was no amount due from any other customers/debtors of our Group which were settled by a transfer of properties.

As the carrying amount of the properties owned by us as investment for rental income located in Tianjin accounted for 1% or more of our Group's total assets, therefore, a property valuation report on such property interests is included in Appendix III to this document pursuant to Rule 5.01A(1) of the Listing Rules. According to the property valuation report, the properties were valued at approximately RMB17.3 million as of January 31, 2024.

Except for the property interests described in the property valuation, our Group has no other owned property interest that forms part of our non-property activities that has a carrying amount of 15% or more of total assets pursuant to Rule 5.01B(2)(b) of the Listing Rules.

Leased properties

As of the Latest Practicable Date, we leased the Office Property from Tianjin Zhongjianke for office purpose. Besides, we leased a property with a gross floor area of approximately 43.51 sq.m. from a third party for one year for registered address commencing on February 16, 2024. Our PRC Legal Adviser is of the opinion that the corresponding lease agreements for these leased properties are legal and valid and binding on the contracting parties.

In addition, as of the Latest Practicable Date, we have entered into two lease agreements as landlord to lease the Office Property to third parties with a total gross floor area of approximately 1,997 sq.m.. However, the actual use of the property is not in line with its planned use. For further details, please refer to the paragraph headed "— Building" in this section.

RISK MANAGEMENT AND INTERNAL CONTROL

Our future operating performance may be affected by the risks associated with our business. Some of these risks are inherent to us, while others relate to economic conditions and the overall industry and markets in which we operate. For more information, please refer to the section headed "Risk Factors" in this document.

We have developed and implemented a risk management policy to identify and address potential risks associated with our operations, including operational risks, financial risks and legal risks. Our risk management policy sets out the procedures for identifying, analyzing, classifying, mitigating and monitoring risks. Our risk management policy also sets out the classification of the risks identified in our operations. Without prejudice to the Board's overall responsibilities, the Audit Committee of the Board oversees financial and operational risk management and discusses the processes used by the management to assess and manage the Company's exposure to such risks, as well as the measures used to monitor and control such risk exposures. For more information, please refer to the section headed "Directors, Supervisors and Senior Management — Board Committees" in this document.

The Board and senior management are responsible for establishing and maintaining an effective risk management and internal control system, including but not limited to safeguarding our Group's compliance with all established systems and processes, as well as the relevant legal regulations. Risk management is the process designed to identify potential events that may affect the Company and to contain the risks within its risk appetite. Internal control is the process designed to provide reasonable assurance regarding the achievement of objectives related to operational effectiveness and efficiency, reliability of financial reporting and compliance with applicable laws and regulations. Our internal control systems cover all major aspects of our operations, including but not limited to, strengthening corporate governance, sales and accounts payable management, procure-to-pay management, inventory management, human resources, fixed assets, cash and funds, financial reporting, tax management, information technology management and intangible asset management.

We have also established policies and procedures and set up reporting and complaint channels in relation to the prevention of bribery and kick-backs activities. Set out below is a summary of key features of such policies and measures:

(i) our human resources department performs background check on the management or key position staff during the hiring or promotion process, in order to check their background and possible criminal record;

(ii) our staff are strictly forbidden from accepting or soliciting bribes in any form or manner or requests for bribes from customers and stakeholders;

(iii) our staff are required to comply with the Group's code of conduct, code of ethics and laws and regulations in China;

(iv) our staff are required to sign an anti-corruption and self-discipline undertaking upon employment, which include promises of anti-bribery, no kick-backs or other unethical behaviours; and

(v) we have established a whistleblowing mechanism, such as reporting hotlines and mailboxes, to handle bribery whistleblowing case, and our internal audit department is responsible for recording and reporting potential bribery or kick-back cases to the Board or our senior management.

Our management is responsible for implementing the control measures and taking remedial steps in a timely manner in case of the occurrence of such misconduct. Our employees are required to comply with such policies and procedures and are encouraged to report any suspicious activities to the relevant department. We did not encounter any material bribery or kick-backs case during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that our anti-bribery and kick-backs activities policies and measures are adequate and effective.

We have engaged an independent internal control consultant to review our internal control systems and procedures on a factual basis and to provide recommendations for a series of steps and measures to further ensure the effectiveness of our internal controls and corporate governance practices. The scope of the review performed by internal control consultant covers the internal control system, policies and procedures over the major aspects of our operations, including but not limited to qualification affiliation (掛靠), anti-bribery and kick-backs and employment.

Following the internal control review performed by the internal control consultant, our Group has implemented all of the recommendations given by the internal control consultant. The table below sets forth the material deficiencies identified by our internal control consultant and the rectification status of our implementation of the remedial measures:

Major findings from the internal control review	Recommendations	Implementation of the remedial measures
Our Group has no written policies and procedures for the roles and responsibilities of the Board of Directors.	Our Group should establish the Board of Directors and prepare the "Board Charter" as soon as possible in accordance with the requirements of the Listing Rules.	Our Group has established the Board of Directors and identified the relevant personnel. In addition, the Group has also established rules for the Board of Directors to standardize its work objectives and procedures.
Our Group has not appointed a qualified company secretary to fulfill the requirements under Rules 3.28 and 8.17 of the Listing Rules.	Our Group should engage a qualified company secretary as soon as possible in accordance with the requirements of the Listing Rules. In addition, our management should require the company secretary to comply with the professional training requirements of the Listing Rules.	Our Group has appointed the qualified company secretary to fulfill the Listing Rules requirement.

Major findings from the internal control review	Recommendations	Implementation of the remedial measures
Our Group has not established the policies and procedures in relation to Environment, Social and Governance aspect to fulfill the requirements set out in Chapter 27 of Listing Rules.	Our Group should establish an "Environmental, Social and Governance Disclosure System" to ensure that our Group can establish appropriate and effective environmental, social and governance risk management and internal control systems.	Our Group has established the relevant Environmental, Social and Governance Disclosure System.

Our internal control consultant also performed follow-up procedures on our internal control system with respect to the remedial measures we took. Our internal control consultant did not identify any further issues or material internal control weakness and did not make any further recommendations in the follow-up review. The above internal control review and follow-up review were performed based on the information provided by us and no assurance or opinion was expressed by the internal control consultant.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of the Directors, our Group did not engage in any "qualification affiliation (掛靠)" activities and there were no non-compliance incidents in this respect. We only tendered for and undertook construction projects which our Group has the relevant qualifications and was not involved in any acts of borrowing the qualifications of others or lending our qualifications to other entities or individuals. In such connection, the independent internal control consultant conducted internal control review and did not note any incident and did not identify any material finding or recommendation in relation to "qualification affiliation". Our Group has established policies and procedures in relation to the prevention of "qualification affiliation" activities, including the selection process of our construction team, determination procedures of the use of external labor services by checking their qualifications and construction capabilities and ensuring the subcontractors have the relevant required qualifications, which we believe would effectively minimize the risk of "qualification affiliation".

Our Directors and the Sole Sponsor have reviewed the internal control review report, which was independently prepared by the internal control consultant, and no material internal control weakness regarding the internal control measures over qualification affiliation, bribery and kick-backs were identified by the internal control consultant. It is also noted from the internal control review report that our Group has implemented enhanced internal control policies on employment according to the internal control consultant's recommendation, and the internal control consultant did not identify any further issues and made no further recommendations to strengthen the Group's enhanced internal control over employment. Our Directors are of the view, and the Sole Sponsor concurs, that the current internal control measures adopted by our Group over qualification affiliation, anti-bribery, kick-backs and employment, are adequate and effective.

To ensure that our established compliance culture is implemented in daily work and to set expectations for individual behavior throughout the organization, we will conduct regular internal compliance reviews and inspections, adopt strict internal accountability measures and conduct compliance training.

We have also adopted appropriate internal control policies to ensure continued compliance with the Listing Rules, including, but not limited to, the identification and management of notifiable and connected transactions and other discloseable matters. We also provide compliance training to our Directors and senior management and staff to cultivate a good compliance culture and conduct training seminars for our Directors and senior management to satisfy the requirements of the Listing Rules.

LICENSES, QUALIFICATIONS AND PERMITS

Our Group is required to hold relevant licenses, qualifications and permits in order to conduct business and undertake various construction projects in the PRC. Please refer to the section headed "Regulatory Overview — Construction Qualifications" in this document for further details. According to our PRC Legal Adviser, as of the Latest Practicable Date, we obtained the necessary licenses, qualifications and permits from the relevant PRC regulatory authorities in all material aspects to conduct our current business.

The following table sets forth our primary operating licenses, qualifications and permits as of the Latest Practicable Date:

No.	Name of the operating licenses, qualifications or permits	Issuing organization or authority	Holder	Qualification	Issue date(1)	Expiry date
1	Petrochemical construction general contracting* (石油化工工程施工總承包)	MOHURD	Our Company	First-grade	January 23, 2024	December 22, 2028
2	Foundation construction professional contracting* (地基基礎工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	First-grade	March 12, 2024(5)	April 6, 2026
3	Building construction general contracting* (建築工程施工總承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024(5)	April 6, 2026

No.	Name of the operating licenses, qualifications or permits	Issuing organization or authority	Holder	Qualification	Issue date[(1)]	Expiry date
4	Municipal public construction general contracting* (市政公用工程施工總承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[(5)]	April 6, 2026
5	Electrical and mechanical construction general contracting* (機電工程施工總承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[(5)]	April 6, 2026
6	Electronic and intelligent construction professional contracting* (電子與智能化工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[(5)]	April 6, 2026
7	Waterproof, anti-corrosion and preservation construction professional contracting* (防水防腐保溫工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[(5)]	April 6, 2026
8	Building renovation and decoration construction professional contracting* (建築裝修裝飾工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[(5)]	April 6, 2026
9	Architectural curtain wall construction professional contracting* (建築幕牆工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[(5)]	April 6, 2026
10	Highway traffic construction (highway safety facilities subdivision) professional contracting* (公路交通工程(公路安全設施)專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[(5)]	April 6, 2026

No.	Name of the operating licenses, qualifications or permits	Issuing organization or authority	Holder	Qualification	Issue date[1]	Expiry date
11	Highway traffic construction (highway mechanical and electrical construction subdivision) professional contracting* (公路交通工程(公路機電工程)專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	April 6, 2026
12	Construction mechanical and electrical installation construction professional contracting* (建築機電安裝工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	April 6, 2026
13	Highway construction general contracting* (公路工程施工總承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	March 12, 2025
14	Electrical construction general contracting* (電力工程施工總承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	March 12, 2025
15	Steel structure construction professional contracting* (鋼結構工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	March 12, 2025
16	Historic building construction professional contracting* (古建築工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	March 12, 2025
17	Urban and Street Lighting construction professional contracting* (城市及道路照明工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	March 12, 2025

No.	Name of the operating licenses, qualifications or permits	Issuing organization or authority	Holder	Qualification	Issue date[1]	Expiry date
18	Highway pavement construction professional contracting* (公路路面工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	March 12, 2025
19	Highway roadbed construction professional contracting* (公路路基工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	March 12, 2025
20	Environmental protection construction professional contracting* (環保工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	Second-grade	March 12, 2024[5]	March 12, 2025
21	Construction labor services* (施工勞務)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	N/A	March 12, 2024[5]	April 6, 2026
22	Special engineering professional contracting* (特種工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	N/A	March 12, 2024[5]	April 6, 2026
23	Value-added telecommunications business operation license* (增值電信業務經營許可證)[3]	Tianjin Communications Administration (天津市通信管理局)	Our Company	N/A	July 18, 2023[2]	June 24, 2026
24	Production License of Special Equipment People's Republic of China* (特種設備生產許可證)	Tianjin Administration for Market Regulation (天津市市場監督管理委員會)	Our Company	N/A	January 17, 2024[2]	January 16, 2028

No.	Name of the operating licenses, qualifications or permits	Issuing organization or authority	Holder	Qualification	Issue date[(1)]	Expiry date
25	Safety production license* (安全生產許可證)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Our Company	N/A	July 6, 2023[(2)]	February 8, 2026
26	Building renovation and decoration construction professional contracting* (建築裝修裝飾工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Tianjin Binhai	Second-grade	October 12, 2023[(4)]	October 25, 2027
27	Municipal public construction general contracting* (市政公用工程施工總承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Tianjin Binhai	Second-grade	October 12, 2023	October 25, 2027
28	Foundation construction professional contracting* (地基基礎工程專業承包)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Tianjin Binhai	Second-grade	October 12, 2023	October 25, 2027
29	Safety production license* (安全生產許可證)	Tianjin Housing and Urban-Rural Construction Commission (天津市住房和城鄉建設委員會)	Tianjin Binhai	N/A	November 21, 2022	November 21, 2025

Notes:

(1) The issue date represents the date of issuance of the latest operating license, qualification or permit.

(2) The license, qualification or permit was re-issued to our Company due to the renaming or increase in registered capital of our Company.

(3) The value-added telecommunications business operation license is not related to the Jiexiao System as the Jiexiao System does not involve value-added telecommunications services. Instead, in 2021, with a view to develop an APP to offer an online platform for leasing equipment and machinery for construction projects (the "**Platform APP**"), our Company applied for a value-added telecommunications business operation license which was issued by Tianjin Communications Administration in June 2021 and last renewed in July 2023. As the Platform APP is intended to serve as a platform to promote the lease of equipment and machinery for construction projects between equipment and machinery owners and users, we are required to hold the value-added

telecommunications business operation license in order to operate the APP. As of the Latest Practicable Date, since we are still undergoing the logic planning stage of the Platform APP business, the relevant developing work in respect of the APP has been suspended.

(4) The license was re-issued to Tianjin Binhai due to expansion of its qualification in October 2023.

(5) The qualification certificate was re-issued to our Company due to upgrading of certain qualifications in March 2024.

Certificates and awards

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

No.	Certificates	Issuing entity	Year of grant
1	Chemical Dismantling Service Enterprise Qualification Certificate (Class I) (化工拆除服務企業資質等級證書（一級）)	Zhongtingyu International Credit Rating Co., Ltd.* (中霆譽國際信用評價有限公司)	2022
2	Integration of Informationization and Industrialization Management System Certificate (兩化融合管理體系評定證書)	Beijing CESI Technology Co., Ltd.* (北京賽西科技發展有限責任公司)	2022
3	Leading Nurturing Technological Enterprises in Tianjin* (天津市科技領軍培育企業)	Tianjin Municipal Science and Technology Bureau (天津市科學技術局)	2022
4	Specialized, Sophisticated, Unique and Innovative Small and Medium-sized Enterprises in Tianjin City* (天津市「專精特新」中小企業)	Tianjin Industrial and Information Technology Bureau (天津市工業和信息化局) Tianjin Finance Bureau (天津市財政局)	2022

No.	Certificates	Issuing entity	Year of grant
5	Occupational Health and Safety Management System Certification (職業健康安全管理體系認證證書)	Beijing Zhongjing Quality Certification Co., Ltd.* (北京中經科環質量認證有限公司)	2021
6	Environmental Management System Certification (環境管理體系認證證書)	Beijing Zhongjing Quality Certification Co., Ltd.* (北京中經科環質量認證有限公司)	2021
7	Quality Management System Certification (質量管理體系認證證書)	Beijing Zhongjing Quality Certification Co., Ltd.* (北京中經科環質量認證有限公司)	2021
8	Leading Enterprise in the Strategic Emerging Industries in Tianjin City* (天津市戰略性新興產業領軍企業)	Tianjin Binhai New Area Talent Office* (天津市濱海新區人才辦)	2020
9	High and New Technology Enterprise Certificate* (高新技術企業證書)	Tianjin Municipal Science and Technology Bureau (天津市科學技術局) Tianjin Finance Bureau (天津市財政局) Tianjin Municipal Tax Service, State Taxation Administration (國家稅務總局天津市稅務局)	2019 (renewed in 2022)

LEGAL AND COMPLIANCE EVENTS

Litigation and claims

We may be involved, from time to time, in legal proceedings arising from the ordinary course of our operations. As of the Latest Practicable Date, our Company was named as a defendant in a lawsuit with a supplier. The case was still going through the trial stage and has not be concluded. If our Company is eventually found to be liable by the PRC court, the total expected additional monetary compensation may amount to approximately RMB2,506,000. Based on the legal advices and assessment from our Directors, the amount being claimed by the supplier largely exceeded the amount which should be paid by our Company based on the invoices, and there was a mismatch between the invoices and receipts submitted by the supplier to the PRC court, therefore, the excess amount claimed by the supplier is unlikely to be supported by the PRC court, and no provision has been provided in respect of this claim. For further details, please refer to "Financial Information — Contingent Liabilities" and Note 30 in the Accountants' Report as set out in Appendix I to this document. Notwithstanding the above claim, there was no litigation, arbitration, administrative proceeding or claim of material importance pending or threatened by or against our Group, or any of our Directors, that would have a material adverse effect on our results of operations or financial conditions.

Non-compliance events

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for our employees as required by relevant PRC social insurance and housing provident funds administrative laws and regulations. Please refer to the paragraph headed "Social insurance and housing provident fund contributions" in this section for details.

During the Track Record Period and up to the Latest Practicable Date, the property owned and used by our Group for office purpose was planned for industrial use, and the unconformity between the actual use and the planned use of the property may subject us to fines or other administrative measures. Please refer to the paragraph headed "Property" in this section for details.

As advised by our PRC Legal Adviser, we had been subject to no fines or other penalties for violation of applicable PRC laws and regulations that could, individually or in aggregate, have a material adverse effect on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

Our Directors are of the view, and our PRC Legal Adviser concurs, that we had obtained the necessary licenses and permits, followed relevant tendering and bidding procedures in relation to our construction projects, and complied with the relevant PRC laws and regulations that are essential to our business operation, in all material aspects, during the Track Record Period and up to the Latest Practicable Date.

OVERVIEW

As of the Latest Practicable Date, Mr. Wang and his spouse, Ms. Dou, together with entities controlled by Mr. Wang and entities jointly controlled or beneficially owned by Mr. Wang and Ms. Dou, namely Shengyuan Group, Shengyuan Holding, Shanshengyuan Enterprise Management, Tianjin Huizhi, Tianjin Jushi, Tianjin Zhiweilai and Tianjin Gongmeihao, held in aggregate 157,496,923 Shares, representing 97.3% of our total issued share capital. Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Wang, Ms. Dou, Shengyuan Group, Shengyuan Holding, Shanshengyuan Enterprise Management, Tianjin Huizhi, Tianjin Jushi, Tianjin Zhiweilai and Tianjin Gongmeihao in aggregate will be interested in [REDACTED] Shares, representing [REDACTED] of the total issued share capital of the Company and will be members of the group of Controlling Shareholders upon [REDACTED]. Mr. Zhao Kuanghua and Ms. Zhao Xiaorong, as general partners of Tianjin Jushi and Tianjin Huizhi and who are expected to remain as general partners thereof after the [REDACTED], respectively, are therefore also members of the group of Controlling Shareholders.

Mr. Wang, as a founder of our Group and one of the Controlling Shareholders, has been the key personnel of our Group and has been responsible for the overall strategic planning, critical decisions making, management and operation of the Company since November 2010. Given (i) the business of the Company was on sound track, (ii) Mr. Zhao Kuanghua as the then vice president responsible for the day-to-day management and operations of our Company has accumulated extensive experience and resources in the industry, and (iii) Mr. Wang has been focusing on the strategic and overall planning aspects of the Company, Mr. Wang gradually stepped down and shifted the responsibility of the daily operation and management of our Group to other Directors, including Mr. Zhao Kuanghua, and senior management of the Company since 2018 to devote more time on personal matters, such as spending more time with his family, whilst still involved in the strategic planning of the Group and continued providing professional opinion and advice to the Group. Despite not being involved in the day-to-day operation, Mr. Wang is still involved in the overall strategic planning and key decision-making of the Company and provides guidance for the operation of our Group. For details, please refer to the section headed "Directors, Supervisors and Senior Management — Board of Directors — Non-executive Director" in this document.

Ms. Dou, aged 51, is the spouse of Mr. Wang and a member of the group of Controlling Shareholders by virtue of her spousal relationship with Mr. Wang. Aside from her contribution of equity capital as one of the founding members, Ms. Dou is a passive and minority investor in the Group and has not and does not participate in the operation or management of our Group. She has been the deputy manager of Tianjin Mingxin Electronics Co., Ltd.* (天津市明新電子有限公司) since September 2010 and up to the Latest Practicable Date.

Mr. Zhao Kuanghua and Ms. Zhao Xiaorong, as general partners of Tianjin Jushi and Tianjin Huizhi, respectively, who are each expected to remain as general partners thereof after the [REDACTED], are controllers of Tianjin Jushi and Tianjin Huizhi and therefore are deemed as members of the group of Controlling Shareholders. For details on Ms. Zhao Xiaorong and Mr. Zhao Kuanghua, please refer to the section headed "Directors, Supervisors and Senior Management — Board of Directors — Executive Director" in this document.

COMPETING INTERESTS

Each of our Directors and Controlling Shareholders has confirmed that none of them nor any of their respective close associates has any interest in any business, apart from the business of our Group, which competes with, or is likely to compete with, our business, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the [REDACTED] for the following reasons:

Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors and members of the senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. For further details, please see the section headed "Directors, Supervisors and Senior Management" in this document.

Although Mr. Wang will maintain a controlling interest in our Company upon completion of the [REDACTED], the day-to-day management and daily operations of our Group will be the responsibility of all our experienced senior management team. Other than Mr. Wang, Mr. Zhao Kuanghua and Ms. Zhao Xiaorong, there are six Directors who do not have any management position in our corporate Controlling Shareholders and our Controlling Shareholders' respective close associates. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business operations and management and technical support on a standalone basis.

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 and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her interest to exist. 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 close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum.

In view of the above, our Directors are satisfied that our Company has sufficient and effective control mechanisms to ensure that our Directors will perform their duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Operational Independence

Our operations are independent of and not connected with our Controlling Shareholders. Having considered that (i) we have established our own organizational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates; (iii) our Group has established a set of internal controls to facilitate the effective operation of its business; (iv) as of the Latest Practicable Date, our Controlling Shareholders had no interest in any of our customers, suppliers or other business partners; (v) as of the Latest Practicable Date, our Group had independent access to suppliers or customers of our Group; and (vi) we hold the licenses necessary for the operation of our Group's business in their own names, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

Financial Independence

We have established our own internal control and financial system and make financial decisions according to our own business needs. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and their respective close associates.

All the amounts due to or from our Controlling Shareholders and their associates were fully settled as of the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we financed our operations through a combination of bank borrowings or financing, internally generated funds and an advance from one of our Controlling Shareholders. As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by our Group to any member of our Controlling Shareholders or their close associates, or vice versa. We expect that, upon completion of the [REDACTED], our operations will be financed mainly by the [REDACTED] from the [REDACTED], internally generated funds and borrowings or financing from financial institutions.

Taking into account the above factors, our Directors believe that the financial assistance provided by our Controlling Shareholders during the Track Record Period did not affect our financial independence from our Controlling Shareholders, and going forward, our Company will continue to be capable of obtaining financial assistance from independent external sources for our business operations on normal commercial terms without reliance on our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-Competition in favor of our Company, pursuant to which they have unconditionally and irrevocably undertaken to our Company that they will not, and will procure their close associates (save for members of our Group) not to directly or indirectly be involved in, interested in or undertake any business that directly or indirectly competes, or may compete, with our business (collectively referred to as the "**Restricted Businesses**"), or hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by us from time to time, or conduct any Restricted Businesses, except where our Controlling Shareholders and their close associates hold less than 10% of interest of such company, which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not possess the right to control the board of directors of such company.

Our Controlling Shareholders have also undertaken in the Deed of Non-Competition that if they or any of their associates (save for members of our Group) become aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any Restricted Business (the "**Business Opportunity**"), they shall, and shall procure their associates (save for members of our Group) to first refer the Business Opportunity to our Company in writing immediately upon becoming aware of it by identifying the target company or business, the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity. Any decision on whether to take up the Business Opportunity shall be decided by our independent non-executive Directors. Our Controlling Shareholders or any of their associates (save for members of our Group) may only take up the Business Opportunity after our Company has issued a written confirmation signed by the independent non-executive Directors confirming that our Company has decided not to take up the Business Opportunity or our Company fails to respond within 20 business days.

If there is any material change in the nature, terms or conditions of such Business Opportunity pursued by our Controlling Shareholders or their associates, they shall, and shall procure their associates to, refer such Business Opportunity as so revised to our Company as if it were a new Business Opportunity.

Our Controlling Shareholders have undertaken in the Deed of Non-Competition that if they, or any of their associates (save for members of our Group) intend to transfer, sell, lease or license loyalties to a third party, any Restricted Business (collectively, the "**Disposals**"), they shall, and shall procure their associates (save for members of our Group) to offer our Group the right of first refusal in terms of such businesses and interest with the equal terms subject to relevant laws and regulations or contractual arrangements with third parties.

Our Controlling Shareholders have undertaken in the Deed of Non-Competition that provided that no applicable laws or regulations are breached and agreements with third parties are complied with, our Group is entitled to acquire any businesses operated by our Controlling Shareholders or any of their associates (save for members of our Group) which fall within the Restricted Businesses or any businesses or interests which are gained through the aforementioned Business Opportunities (the "**Option for Purchase**"). Our Group is entitled to exercise the Option for Purchase at any time, and our Controlling Shareholders or any of their associates (save for members of our Group) shall offer the Option for Purchase to our Group based on the conditions as follows: the commercial terms of the acquisition shall be formed solely by the committee consisting of our independent non-executive Directors after consulting the views of independent experts and such commercial terms shall be based on negotiation between the parties in line with normal commercial practice of our Group which is fair, reasonable and in the interests of our Group as a whole, as in accordance with the negotiations with our Controlling Shareholders and their associates. However, if a third party has the right of first refusal in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and shareholders' agreements), the Option for Purchase of our Group shall be subject to such third-party rights. In such a case, our Controlling Shareholders shall use, and shall procure that their associates (save for members of our Group) will use, its/their best efforts to persuade the third party to waive its right of first refusal.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(i) our Directors shall comply with the Articles of Association which require our interested Director(s) not to vote (nor be counted in the quorum) on any resolutions of our Board approving any contracts or arrangements or other proposals in which he/she or any of his/her close associates is materially interested;

(ii) any Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(iii) our Company has appointed China Everbright Capital Limited as the compliance adviser who shall provide us with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws;

(iv) any transaction (if any) between (or proposed to be entered into between) our Group and our connected persons will be required to comply with the relevant provisions under Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements and with those conditions imposed by the Hong Kong Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules;

(v) our independent non-executive Directors will review, on an annual basis, whether there is any conflict of interest between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders; and

(vi) our Directors may reasonably request the advice of independent professionals, such as financial advisers, the engagement of which will be made at our Company's expenses.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group, and to protect the interests of our Shareholders, in particular, the minority Shareholders.

BOARD OF DIRECTORS

The Board currently consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for, and has general powers for, the management and conduct of our business.

The following table sets forth certain information of our Directors:

Name	Age	Position(s)	Major Responsibilities	Time of joining the Group	Date of appointment as Director	Relationship with other Directors, Supervisors and Senior Management
Executive Directors						
Mr. Zhao Kuanghua (趙匡華先生)	40	Executive Director and president	Responsible for the overall strategic planning and the overall management and operation of the Group	January 2018	January 3, 2019	None
Mr. Li Kai (李凱先生)	50	Executive Director, chief financial officer and joint company secretary	Responsible for the overall financial management, investment management and financing activities of the Group	June 2021	June 5, 2023	None
Ms. Zhao Xiaorong (趙曉榮女士)	42	Executive Director and vice president	Responsible for the overall administrative matters and human resources of the Group	January 2021	June 5, 2023	None
Mr. Yang Youhua (楊友華先生)	34	Executive Director, president assistant and the manager of the marketing department	Making decisions on the day-to-day operation of the Group, and overseeing market development and market expansion of the business of the Group	April 2019	June 5, 2023	None
Mr. Ni Baqun (倪拔群先生)	38	Executive Director, president assistant and the manager of the procurement department	Making decisions on the construction-related business of the Group, and overseeing the quality and compliance of construction projects	October 2018	June 5, 2023	None

Name	Age	Position(s)	Major Responsibilities	Time of joining the Group	Date of appointment as Director	Relationship with other Directors, Supervisors and Senior Management
Non-executive Director						
Mr. Wang Wenbin (王文彬先生)	50	Non-executive Director and chairperson of the Board	Responsible for providing professional opinion and judgment to the Board	November 2010	June 5, 2023	None
Independent non-executive Directors						
Dr. Yan Bing (嚴兵博士)	46	Independent non-executive Director	Supervising and providing independent judgment and strategic advice to our Board	June 2023	June 5, 2023	None
Mr. Yang Shitai (楊世泰先生)	54	Independent non-executive Director	Supervising and providing independent judgment and strategic advice to our Board	June 2023	June 5, 2023	None
Mr. Shiu Shu Ming (蕭恕明先生)	54	Independent non-executive Director	Supervising and providing independent judgment and strategic advice to our Board	August 2023	August 16, 2023	None

Executive Directors

Mr. Zhao Kuanghua (趙匡華先生), aged 40, has been the president and an executive Director since January 3, 2019 and is primarily responsible for the overall strategic planning and the overall management and operation of our Group. Mr. Zhao joined our Group in January 2018 as vice president and was responsible for the day-to-day management and operations of the Company. Mr. Zhao has over a decade of experience in the construction engineering industry.

Mr. Zhao served as the deputy division manager of the engineering department of CCCC Tianjin Dredging Co., Ltd.* (中交天津航道局有限公司), a company primarily engaged in civil-engineering construction from April 2008 to April 2011. Mr. Zhao then served as the project manager of Tianjin Binhai New Area Jiang Sheng Yuan Construction Engineering Development Co., Ltd.* (天津濱海新區江盛源建築工程發展有限公司) (currently known as Jiangshengyuan Construction Co. Ltd.* (江盛源建設有限公司)), a company primarily engaged in the housing construction industry, from May 2011 to June 2013, where he was responsible for the management of engineering projects. Mr. Zhao was the technical adviser of Tianjin Jirun Petroleum Shipping Service Co., Ltd.* (天津濟潤石油海運服務有限公司), a company primarily engaged in the water transportation industry, from June 2013 to June 2014, mainly responsible for providing technical consultation for projects. He was also a manager of business planning of Jiangshengyuan Construction Co., Ltd.* (江盛源建設有限公司) from June 2014 to December 2017, where he was responsible for marketing and operations work. Mr. Zhao also served as a supervisor of Jiangshengyuan Construction Co., Ltd.* from April 2018 to January 2019.

Mr. Zhao obtained his bachelor's degree in management major in construction management from Tianjin University of Technology* (天津理工大學) in the PRC in January 2010. Mr. Zhao has been serving as the vice president of Gansu Tianjin Chamber of Commerce* (甘肅天津商會副會長) in 2020 and a member of the 4th Chinese People's Political Consultative Conference Committee of Tianjin Binhai New Area* (天津市濱海新區第四屆政協委員) in November 2021. Mr. Zhao completed a course for Leading Talent in the Management of Small and Medium-Sized Enterprises* (中小型企業經營管理領軍人才) by the Talent Exchange Center of the Ministry of Industry and Information Technology* (工業和信息化部人才交流中心) in the PRC in March 2021. In addition, Mr. Zhao was also recognized as a new entrepreneur by the Tianjin Municipal Party Committee Talent Office* (天津市委人才辦公室) in October 2021 and an outstanding entrepreneur by the Binhai Talent Working Group* (濱海新區人才工作小組) in January 2022.

Mr. Li Kai (李凱先生), aged 50, is an executive Director and the chief financial officer of our Company. Mr. Li is principally responsible for the overall financial management, investment management and financing activities of our Group. Mr. Li has been serving as the chief financial officer since he joined the Group in June 2021, and was appointed as the executive Director in June 2023. Mr. Li has over 20 years of experience in finance and corporate management.

Mr. Li's previous work experiences include serving as: (i) the editor assistant of Olympic Publishing (奧林匹克出版社) from September 1999 to March 2002, where he was responsible for the arrangement of journals and books, as well as the review of manuscripts; (ii) the director of the general manager's office of Beijing Shunxin Hand in Hand Fruit and Vegetable Beverage Co., Ltd.* (北京順鑫牽手果蔬飲品股份有限公司) (currently known as Beijing Hand in Hand Fruit and Vegetable Beverage Co., Ltd.* (北京牽手果蔬飲品股份有限公司)), a company primarily engaged in the manufacturing of alcohol, beverages, and refined tea, from March 2002 to May 2005, mainly responsible for management of office affairs, capital and operations of the company; (iii) the chairman assistant of Leah (China) Beverages Ltd.* (利亞(中國)飲品有限公司), a company primarily engaged in the manufacturing of alcohol, beverages, and refined tea, from May 2005 to April 2006, where he was responsible for assisting the chairman in project management and daily work arrangements; (iv) the deputy general manager of Shenzhen Galio Enterprise Management Consulting Co., Ltd.* (深圳盛世高略企業管理諮詢有限公司) from April 2006 to November 2014, mainly responsible for business strategy management, project consulting, and financial audit management; (v) the deputy general manager and secretary to the board of directors of Beijing Hong Hai Long Teng E-commerce Co., Ltd.* (北京洪海龍騰電子商務股份有限公司), a company primarily engaged in technology promotion and application services, from November 2014 to September 2019, where he was responsible for information disclosure matters, investor relations management and corporate governance matters; and (vi) deputy general manager of Beijing Huihai Accounting Firm (General Partnership)* (北京慧海會計師事務所(普通合夥)) from March 2020 to June 2021.

Mr. Li obtained a master's degree in business management from Inner Mongolia University (內蒙古大學) in the PRC in January 2009. Mr. Li obtained the qualification certificate of secretary to the board of directors issued by the Shenzhen Stock Exchange in April 2005.

Mr. Li was a legal representative and/or supervisor of certain companies established in the PRC below prior to their dissolution/revocation.

Name of the company	Principal business	Methods of dissolution/ revocation	Date of dissolution/ revocation	Position
Mido Supply Chain Management (Shanghai) Co., Ltd.* (米門供應鏈管理(上海)有限公司)	Business service	Dissolved by deregistration	December 17, 2020	Legal representative
Shengshi Gaolue Cultural Media (Beijing) Co., Ltd.* (盛世高略文化傳媒(北京)有限公司)	Culture and media	Dissolved by deregistration	December 28, 2016	Supervisor
Hangzhou Great East Packaging Co., Ltd.* (杭州偉東包裝製品股份有限公司)	Production and sales of packaging products	Revocation of business license	December 30, 2013	Supervisor

To the best knowledge, information and belief of Mr. Li, he confirmed that (i) there was no wrongful act on his part leading to the dissolution/revocation of the above companies; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution/revocation of above companies; (iii) no misconduct or misfeasance has been involved in the dissolution/revocation of the above companies; (iv) the above companies were solvent immediately prior to dissolution or revocation (as the case may be); and (v) the deregistration or the revocation of business license of the above companies had not resulted in any liability or obligation imposed against him.

Ms. Zhao Xiaorong (趙曉榮女士), aged 42, is an executive Director and vice president of our Company. Ms. Zhao is principally responsible for the overall administrative matters and human resources of the Group. Ms. Zhao joined our Company in January 2021 as a vice president and was appointed as an executive Director in June 2023. Ms. Zhao has over 14 years of experience in corporate management.

Ms. Zhao's previous work experiences include serving as: (i) the general manager assistant of Tianjin Shengmei Decoration Engineering Co., Ltd* (天津市聖美裝飾工程有限公司), a company mainly engaged in the business service industry, from December 2005 to November 2006, where she was responsible for assisting the general manager in handling the daily affairs of the company; (ii) the office director of Tianjin Development Zone Sentai Industrial Co., Ltd.* (天津開發區森泰實業有限公司), a company mainly engaged in the mining industry, from November 2009 to June 2010, where she was primarily responsible for coordinating and managing the administrative service work of the company; and (iii) the deputy director of human resources and administration department of Tianjin Polar Tourism Co., Ltd. Marine Culture Branch* (天津極地旅遊有限公司海洋文化分公司), a company mainly engaged in the cultural and artistic industry, from June 2010 to January 2021, where she was responsible for the coordination and management of the company's administrative affairs.

Ms. Zhao obtained a bachelor's degree in project management from Beijing International Business University (北京國際商務學院) in the PRC in July 2007. Ms. Zhao was selected as a member of the 4th People's Congress of Tianjin Binhai New Area* (天津市濱海新區第四屆人民代表大會委員) in December 2021. Ms. Zhao was also recognized as an outstanding entrepreneur (優秀企業家) by the Binhai Talent Working Group* (濱海新區人才工作小組) in January 2022.

Mr. Yang Youhua (楊友華先生), aged 34, is an executive Director, the president assistant and the manager of the marketing department of our Company. He is mainly responsible for making decisions on the day-to-day operation of the Group, and overseeing market development and market expansion of the business of the Group. Mr. Yang has over 10 years of experience in the field of construction engineering.

Before joining the Group, Mr. Yang successively served as project technician and project technical director at the municipal public constructions branch office of Tianjin Dagang Oil Field Group Engineering Construction Co., Ltd.* (天津大港油田集團工程建設有限責任公司), a company primarily engaged in the housing construction industry, from July 2012 to April 2019, where he was primarily responsible for onsite technology guidance and work plan formulation. Mr. Yang joined our Company in April 2019 and served as production manager from April 2019 to March 2021. He also served as the president assistant from March 2021 to March 2022. Since March 2022, Mr. Yang has been the Company's manager of the marketing department.

Mr. Yang studied civil engineering at Harbin University (哈爾濱學院) and graduated in June 2012 with a bachelor's degree.

Mr. Ni Baqun (倪拔群先生), aged 38, is an executive Director, a president assistant and the manager of the procurement department of our Company, and is primarily responsible for making decisions on the day-to-day operation of the Group, and overseeing the quality and compliance of construction projects. Mr. Ni has over 13 years of experience in the construction engineering industry.

From August 2009 to October 2018, Mr. Ni served for positions such as the production manager and project manager, where he was responsible for project engineering management, at Tianjin Development Zone Hengji Construction Engineering Co., Ltd* (天津開發區恒基建設工程有限公司), a company primarily engaged in building decoration, and other construction works. Mr. Ni joined the Group in October 2018 and served as the project manager of our Company. From March 2022 to February 2023, Mr. Ni served as the manager of the engineering management department of our Company. Since February 2023, Mr. Ni has been serving as the manager of the procurement department of our Company, primarily responsible for material procurement of our Group. Mr. Ni was further appointed as an executive Director and a president assistant in June 2023.

Mr. Ni received his graduate diploma in project budgeting from Tianjin University (天津大學) in the PRC in January 2012.

Non-executive Director

Mr. Wang Wenbin (王文彬先生), aged 50, has been the chairperson of the Board and a non-executive Director of our Company since June 2023. He is also the founder of our Group. Mr. Wang has more than 12 years of experience in the construction industry and is primarily responsible for providing professional opinion and judgment to the Board. Mr. Wang is the executive director of Yujiacheng and Tianjin Zhongjianke.

Mr. Wang worked in Tianjin Guangde Machinery Equipment Manufacturing Co., Ltd.* (天津市廣德機械設備製造有限公司), a company primarily engaged in the manufacturing of general equipment, from January 1993 to December 2009, primarily responsible for participating in the production and operation of the company. Mr. Wang was the executive director and the manager of our Company from November 2010 to January 2019.

Mr. Wang completed his secondary education in Tianjin, the PRC.

Independent non-executive Directors

Dr. Yan Bing (嚴兵博士), aged 46, was appointed as our independent non-executive Director in June 2023.

Dr. Yan has been the vice dean of the School of Economics at Nankai University (南開大學經濟學院) since November 2022, and has been the director of the Institute of International Economics since November 2021. Dr. Yan has served as a professor and PhD supervisor since January 2018, with the main responsibility of postgraduate training and management. Dr. Yan has published over 20 papers in the journals listed in the Chinese Social Sciences Citation Index.

Dr. Yan obtained a doctoral degree in global economics from the Institute of International Economics at Nankai University (南開大學國際經濟研究所) in the PRC in July 2004.

Dr. Yan has been an independent non-executive director of Standard Development Group Limited (formerly known as LKS Holding Group Limited) (Stock Code: 1867), a company listed on the Main Board of the Hong Kong Stock Exchange since June 9, 2021.

Mr. Yang Shitai (楊世泰先生), aged 54, was appointed as our independent non-executive Director in June 2023.

Mr. Yang has rich experience in the construction industry. He has worked in the group company(ies) of China Construction Eighth Engineering Division Tianjin Company* (中國建築第八局天津公司) from 1999 to 2007, and worked in the group company(ies) of China Construction Eighth Engineering Division Corporation Limited Huabei Branch* (中國建築第八工程局有限公司華北分公司) from 2007 to 2009. From January 2011 to March 2012, Mr. Yang served as president in Tianjin Binhai New City Construction and Development Co., Ltd.* (天津濱海新城建設發展有限公司). From May 2009 to April 2012, Mr. Yang served as the general manager of Tianjin Binhai New Area Central Business District Investment Group Co., Ltd* (天津濱海新區中心商務區投資集團有限公司) (currently known as Tianjin Teda Urban Development Group Co., Ltd.* (天津泰達城市發展集團有限公司)). Mr. Yang served as the general manager of Tianjin Yujiapu Investment Holding (Group) Co., Ltd.* (天津于家堡投資控股(集團)有限公司) (currently known as Tianjin Teda Urban Development Group Co., Ltd.* (天津泰達城市發展集團有限公司)) since July 2016 until August 2018, and has been serving as the president of Tianjin Teda Urban Development Group Co., Ltd.* (天津泰達城市發展集團有限公司) since September 2018 until 2021.

Mr. Yang graduated from the Chongqing Institute of Architecture and Engineering* (重慶建築工程學院) (currently known as Chongqing University (重慶大學)) in the PRC with a bachelor's degree in industrial and civil architecture in 1991.

Mr. Shiu Shu Ming (蕭恕明先生), aged 54, has more than 20 years of experience in corporate finance, mergers and acquisitions, initial public offerings, and fundraising exercises in various ventures and projects with a deal portfolio covering private entities, PRC state-owned enterprises and publicly listed companies in Hong Kong, the PRC, and Indonesia. In addition to his experience in corporate finance, Mr. Shiu also has extensive management experience in healthcare services. He has been serving as the executive director of Hong Kong Medical Consultants Limited (中卓醫務有限公司), a Hong Kong-based integrated medical specialists' group, since October 2018.

Mr. Shiu served as a non-executive director of Orient Securities International Holdings Limited (Stock Code: 8001), a company listed on the GEM of the Hong Kong Stock Exchange from June 2022 to July 2022 and was subsequently re-designated as an executive director in July 2022. Mr. Shiu also held positions as a non-executive director and an executive director at Golden Century International Holdings Group Limited (Stock Code: 0091), a company listed on the Main Board of the Hong Kong Stock Exchange and Town Health International Medical Group Limited (Stock Code: 3886), a company listed on the Main Board of the Hong Kong Stock Exchange from March 2020 to September 2021 and from November 2022 to June 2023, respectively. Mr. Shiu has been appointed as a non-executive director of Oriental Payment Group Holdings Limited (Stock Code: 8613), a company listed on the GEM of the Hong Kong Stock Exchange since December 2021, and served as a non-executive director of Kingkey Intelligence Culture Holdings Limited (Stock Code: 0550), a company listed on the Main Board of the Hong Kong Stock Exchange since January 2023 until September 2023. In addition, he has been serving as an independent non-executive director of Tianyun International Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, Stock Code: 6836) since April 2022.

Mr. Shiu obtained a bachelor's degree in accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in 1993 and is a member of the Hong Kong Institute of Certified Public Accountants and was recognized as a member of the Association of Chartered Certified Accountants in October 2002.

Mr. Shiu was a legal representative and director of the company established in the PRC below prior to its revocation.

Name of the company	Principal business	Methods of revocation	Date of revocation	Position
Euto (Shanghai) International Trading Co Ltd* (裕韜(上海)國際貿易有限公司)	Wholesale business	Revocation of business license	June 30, 2022	Legal representative and executive director

Mr. Shiu was a director of the below companies established in Hong Kong prior to their dissolution.

Name of the company	Principal business	Methods of revocation	Date of revocation	Position
Fulcrum Holding Limited (富勤控股有限公司)	Holding company	Dissolved by deregistration	February 6, 2009	Director
Fundmega Limited (軒浩有限公司)	Holding company	Dissolved by deregistration	September 30, 2022	Director
Information Security Systems Consultant Limited	Holding company	Dissolved by deregistration	July 6, 2007	Director
Integrated Chinese Medicine Holdings (2010) Limited (綜合中醫藥控股(2010)有限公司)	Holding company	Dissolved by deregistration	January 25, 2019	Director
Link Supreme Limited (朗超有限公司)	Holding company	Dissolved by deregistration	June 26, 2012	Director
Pegasus Investments Limited	Holding company	Dissolved by deregistration	April 22, 2022	Director
Pixel Investments Limited	Holding company	Dissolved by deregistration	April 14, 2022	Director
Top Praise Technology Limited (啓譽科技有限公司)	Holding company	Dissolved by deregistration	August 29, 2003	Director
Zearich Limited (承沃有限公司)	Holding company	Dissolved by deregistration	May 19, 2023	Director

To the best knowledge, information and belief of Mr. Shiu, he confirmed that (i) there was no wrongful act on his part leading to the dissolution/revocation of the above companies; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution/revocation of the above companies; (iii) no misconduct or misfeasance has been involved in the dissolution/revocation of the above companies; (iv) the above companies were solvent immediately prior to dissolution or revocation (as the case may be); and (v) the deregistration or the revocation of business license of the above companies had not resulted in any liability or obligation imposed against him.

SUPERVISORY BOARD

The following table sets forth certain information of our Supervisors:

Name	Age	Position(s)	Major Responsibilities	Time of joining the Group	Date of appointment as Supervisor	Relationship with other Directors, Supervisors and Senior Management
Ms. Wang Ling (王玲女士)	42	Chairperson of the supervisory board and employees' representative Supervisor	Supervising the performance of duties by the Directors and senior management of our Company	March 2018	June 5, 2023	None
Mr. Hu Shixin (胡世新先生)	30	Shareholders' representative Supervisor	Supervising the performance of duties by the Directors and senior management of our Company	March 2017	June 5, 2023	None
Ms. Zhu Yiwei (朱藝偉女士)	33	Shareholders' representative Supervisor	Monitoring the operation and financial activities of the Company as well as the performance of duties by the Directors and senior management of our Company	April 2018	June 5, 2023	None

Ms. Wang Ling (王玲), aged 42, is an employees' representative Supervisor and the chairperson of the supervisory board of our Company. She is responsible for supervising the performance of duties by the Directors and senior management of our Company. Ms. Wang joined our Company in March 2018 and has been serving as the deputy manager of engineering management department.

From July 2008 to April 2012, Ms. Wang was a process design engineer responsible for completing drawing design work according to process flow diagrams at Shandong Dongming Petroleum & Chemical Group Co., Ltd. (山東東明石化集團有限公司), a company mainly engaged in the petroleum, coal, and other fuel processing industry. Ms. Wang served as the project application engineer in Tianjin Hailin Ecological Construction Stock Company (天津海林生態建設股份公司), a company mainly engaged in public facility management industry, from May 2016 to October 2017, where she was responsible for project application of the company, completing the annual application work plan and plan formulation for research and development projects.

Ms. Wang completed her master's degree in materials physics and chemistry from China University of Petroleum (East China) (中國石油大學(華東)), the PRC, in June 2008.

Mr. Hu Shixin (胡世新), aged 30, is a Shareholders' representative Supervisor. Mr. Hu is responsible for supervising the performance of duties by the Directors and senior management of our Company. Mr. Hu served as the technical manager of the engineering project department in the Company from March 2017 to August 2021. Mr. Hu has been serving as the technical supervisor of engineering project department since August 2021.

Mr. Hu received his graduate diploma in engineering supervision from Tianjin Engineering Technical Institute (天津工程職業技術學院), the PRC, in July 2016.

Ms. Zhu Yiwei (朱藝偉), aged 33, is a Shareholders' representative Supervisor and is responsible for monitoring the operation and financial activities of the Company as well as the performance of duties by the Directors and senior management of our Company. Ms. Zhu joined the Company in April 2018 and has been serving as a construction worker, where she is responsible for the organization and management of the on-site construction activities.

Ms. Zhu received her graduate diploma in primary education in January 2013 from Central Radio and Television University* (中央廣播電視大學) (currently known as the Open University of China (國家開放大學)) through attending long distance learning courses.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operations of our Group. For the biographical details of Mr. Zhao Kuanghua, Mr. Li Kai, Ms. Zhao Xiaorong, Mr. Yang Youhua and Mr. Ni Baqun, please see the paragraph headed "— Board of Directors — Executive Directors" in this section.

Other disclosure pursuant to the Listing Rules

Save as disclosed above and in "Appendix VII — Statutory and General Information — C. Further Information about our Directors, Supervisors and Substantial Shareholders" and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, each of our Directors and our Supervisors confirms with respect to himself or herself that (i) he/she did not hold any other positions or short positions in the Shares, underlying Shares, debentures of our Company and/or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) he/she had no other relationship with any Directors, Supervisors, senior management and/or substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) he/she did not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong and/or overseas in the three years immediately preceding the date of this document; and (iv) there are no other matters concerning our Directors' or Supervisors' appointments that need to be brought to the attention of our Shareholders and the Hong Kong Stock Exchange or shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Each of our Directors confirmed that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on December 15, 2023; and (ii) understood his or her obligations as a director of a listed issuer under the Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Li Kai (李凱), was appointed as our joint company secretary in June 2023. Mr. Li is an executive Director and the chief financial officer of our Company. For further biographical details of Mr. Li, please see the paragraph headed "— Board of Directors — Executive Directors" in this section for his biography.

Mr. Lui Wing Yat Christopher (呂穎一), aged 34, was appointed as our joint company secretary in June 2023 and he is a senior manager of corporate services of Tricor Services Limited.

Mr. Lui has over 10 years of experience in the corporate secretarial field. He has been working for Tricor Services Limited since October 2011. He has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Mr. Lui is currently the joint company secretary of TOT BIOPHARM International Company Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 1875)) and TI Cloud Inc. (a company listed on the Hong Kong Stock Exchange (Stock Code: 2167)); and the company secretary of CARsgen Therapeutics Holdings Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 2171)), HBM Holdings Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 2142)) and Helens International Holdings Company Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 9869)).

Mr. Lui is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute in the United Kingdom. Mr. Lui received his bachelor's degree of science in economics and statistics from University College London in the United Kingdom in August 2011.

BOARD COMMITTEES

The Company has established three Board committees in accordance with the relevant PRC laws and regulations and the corporate governance practice under the Listing Rules, including the audit committee, the remuneration committee and the nomination committee.

Audit committee

The audit committee of our Company consists of three Directors, namely Mr. Shiu Shu Ming, Dr. Yan Bing and Mr. Yang Shitai. Mr. Shiu Shu Ming, an independent non-executive Director, currently serves as the chairperson of the audit committee. The primary duties of our audit committee include but are not limited to:

(i) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

(ii) to review the financial information and relevant disclosures of the Company;

(iii) to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;

(iv) to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium-to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;

(v) to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

(vi) to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm; and

(vii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

Nomination committee

The nomination committee of our Company consists of three Directors, namely Mr. Wang, Dr. Yan Bing and Mr. Yang Shitai. Mr. Wang, a non-executive Director, currently serves as the chairperson of our nomination committee. The primary duties of our nomination committee include but are not limited to:

(i) to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

(ii) to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;

(iii) to preliminarily examine the eligibility of candidates for Directors and senior management; and

(iv) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

Remuneration committee

The remuneration committee of the Company consists of three Directors, namely Dr. Yan Bing, Mr. Zhao Kuanghua and Mr. Yang Shitai. Dr. Yan Bing, an independent non-executive Director, currently serves as the chairperson of our remuneration committee. The primary duties of our remuneration committee include but are not limited to:

(i) to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

(ii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

REMUNERATION AND COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonuses, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of our Company. Our Company also reimburses our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Company or executing their functions in relation to the operation of our Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of our Directors, Supervisors and senior management, by reference to, among other things, the market rate of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of our Company. The compliance adviser shall provide the Company with certain services, including guidance and advice to comply with the requirements under the Listing Rules.

For the years ended December 31, 2021, 2022 and 2023, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind of our Director were RMB419,000, RMB408,000 and RMB1,702,000, respectively. Our Director's remuneration is determined based on their experience, responsibilities, performance, and salaries paid by comparable companies.

The fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) of the top five highest paid individuals (excluding Directors and Supervisors) for the years ended December 31, 2021, 2022 and 2023, were RMB985,000, RMB1,276,000 and RMB298,000, respectively. During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest-paid individuals for the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

None of our Directors or Supervisors have waived any remuneration during the Track Record Period. As disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

It is estimated that under the current arrangements, the aggregate amount of compensation (including salaries, benefits in kind but excluding discretionary bonuses) payable to our Directors and Supervisors for the year ending December 31, 2024 will be approximately RMB2.7 million.

BOARD DIVERSITY POLICY

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of construction management, business management, project management, international economics, industrial and civil architecture, and economics. They obtained academic degrees in various majors, including construction management, business management, project management, and global economics.

Our nomination committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code contained in Appendix C1 to the Listing Rules. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from our Board downwards to enhance the effectiveness of our corporate governance as a whole.

COMPLIANCE ADVISER

We have appointed China Everbright Capital Limited as our compliance adviser (the "**Compliance Adviser**") upon the [REDACTED] of our Shares on the Hong Kong Stock Exchange in compliance with Rule 3A.19 of the [REDACTED] Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice when consulted by our Company in relation to the followings:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we procure to use the [REDACTED] from 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
- where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movement in the price or trading volume of the Shares under Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the [REDACTED] and is expected to end on the date on which our Company distributes its annual report in respect of our financial results for the first full financial year commencing after the [REDACTED] and this appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

To the best of our Directors' knowledge and information, as of the Latest Practicable Date and immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), each of the following persons will have an interest and/or short positions in the Shares and the underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

INTEREST IN OUR COMPANY

Name of Shareholder	Class of Shares	Nature of interest	Shares held as of the Latest Practicable Date and immediately prior to the completion of the [REDACTED][1]		Shares held in the total share capital of our Company immediately following the completion of the [REDACTED][1]	
			Number	*Approximate Percentage*	*Number*	*Approximate Percentage*
Mr. Wang[2]	Unlisted Shares	Interest in controlled corporation	157,496,923	97.3%	[REDACTED]	[REDACTED]
Ms. Dou[3]	Unlisted Shares	Interest of spouse	157,496,923	97.3%	[REDACTED]	[REDACTED]
Shengyuan Holding	Unlisted Shares	Beneficial owner	110,830,940	68.5%	[REDACTED]	[REDACTED]
Shengyuan Group[4]	Unlisted Shares	Interest in controlled corporation	110,830,940	68.5%	[REDACTED]	[REDACTED]
Shanshengyuan Enterprise Management[5]	Unlisted Shares	Interest in controlled corporation	31,665,983	19.5%	[REDACTED]	[REDACTED]
Tianjin Zhiweilai	Unlisted Shares	Beneficial owner	31,665,983	19.5%	[REDACTED]	[REDACTED]
Mr. Zhao Kuanghua[6]	Unlisted Shares	Interest in controlled corporation	15,000,000	9.3%	[REDACTED]	[REDACTED]
Ms. Zhao Xiaorong[7]	Unlisted Shares	Interest in controlled corporation	15,000,000	9.3%	[REDACTED]	[REDACTED]
Tianjin Jushi[8]	Unlisted Shares	Interest in controlled corporation	15,000,000	9.3%	[REDACTED]	[REDACTED]
Tianjin Huizhi[8]	Unlisted Shares	Interest in controlled corporation	15,000,000	9.3%	[REDACTED]	[REDACTED]
Tianjin Gongmeihao	Unlisted Shares	Beneficial owner	15,000,000	9.3%	[REDACTED]	[REDACTED]

Notes:

(1) All interests are long positions.

(2) Mr. Wang owns 99% partnership interest in each of Tianjin Huizhi and Tianjin Jushi, 98.7% equity interest in Shengyuan Group and 97.7% partnership interest in Shanshengyuan Enterprise Management, respectively. Each of Tianjin Huizhi and Tianjin Jushi owns 50% equity interest in Tianjin Gongmeihao, which in turn holds 9.3% of the total issued Shares. Shanshengyuan Enterprise Management owns 99% equity interest in Tianjin Zhiweilai which in turn holds 19.5% of the total issued Shares; and Shengyuan Group owns 100% equity interests in Shengyuan Holding, which in turn holds 68.5% of the Shares. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by each of Tianjin Gongmeihao, Tianjin Zhiweilai and Shengyuan Holding for the purpose of the SFO.

(3) Ms. Dou is the spouse of Mr. Wang. Accordingly, Ms. Dou is deemed to be interested in the Shares held by Mr. Wang for the purpose of the SFO.

(4) The entire equity capital of Shengyuan Holding is held by Shengyuan Group. Accordingly, Shengyuan Group is deemed to be interested in such Shares held by Shengyuan Holding for the purpose of the SFO.

(5) Shengyuan Enterprise Management owns 99% equity interest in Tianjin Zhiweilai, which in turn holds 19.5% of the total issued Shares. Accordingly, Shengyuan Enterprise Management is deemed to be interested in such Shares held by Tianjin Zhiweilai for the purpose of the SFO.

(6) Mr. Zhao Kuanghua is the general partner of Tianjin Jushi which owns 50% equity interest in Tianjin Gongmeihao, which in turn holds 9.3% of the total issued Shares. Accordingly, Mr. Zhao Kuanghua is deemed to be interested in such Shares held by Tianjin Gongmeihao for the purpose of the SFO. As the general partner of Tianjin Jushi, Mr. Zhao Kuanghua is deemed to have de facto control in Tianjin Jushi and hence is a controller of Tianjin Jushi. Mr. Zhao Kuanghua, therefore, is also a Controlling Shareholder.

(7) Ms. Zhao Xiaorong is the general partner of Tianjin Huizhi which owns 50% equity interest in Tianjin Gongmeihao, which in turn holds 9.3% of the total issued Shares. Accordingly, Ms. Zhao Xiaorong is deemed to be interested in such Shares held by Tianjin Gongmeihao for the purpose of the SFO. As the general partner of Tianjin Huizhi, Ms. Zhao Xiaorong is deemed to have de facto control in Tianjin Huizhi and hence is a controller of Tianjin Huizhi. Ms. Zhao Xiaorong, therefore, is also a Controlling Shareholder.

(8) The equity interest of Tianjin Gongmeihao is held as to 50% by Tianjin Huizhi and 50% by Tianjin Jushi. Accordingly, each of Tianjin Huizhi and Tianjin Jushi is deemed to be interested in such Shares held by Tianjin Gongmeihao for the purpose of the SFO.

Save as disclosed herein, our Directors are not aware of any other persons who will, immediately following completion of the [REDACTED], have an interest or short position in the Shares or underlying Shares of our Company (assuming that the [REDACTED] is not exercised), which would be required to be disclosed to our Company and the Hong Kong Stock Exchange (as the case may be) under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group. Our Company is not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SHARE CAPITAL

This section presents certain information regarding the share capital of our Company following the completion of the [REDACTED].

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB161,844,749, divided into 161,844,749 Unlisted Shares with a nominal value of RMB1.00 each.

Upon completion of the [REDACTED]

Assuming the [REDACTED] is not exercised, the share capital of our Company immediately after the [REDACTED] will be as follows:

Description of Shares	Number of shares	Approximate percentage of registered share capital
Unlisted Shares[(1)]	[REDACTED]	[REDACTED]
H Shares to be [REDACTED] under the [REDACTED]	[REDACTED]	[REDACTED]
Total share capital	[REDACTED]	[REDACTED]

Note:

(1) These Unlisted Shares may be converted into H Shares. For further details, please refer to the paragraph headed "Conversion of our Unlisted Shares into H Shares" in this section.

Assuming the [REDACTED] is exercised in full, the share capital of the Company immediately after the [REDACTED] will be as follows:

Description of Shares	Number of shares	Approximate percentage of registered share capital
Unlisted Shares[(1)]	[REDACTED]	[REDACTED]
H Shares to be [REDACTED] under the [REDACTED]	[REDACTED]	[REDACTED]
Total share capital	[REDACTED]	[REDACTED]

Note:

(1) These Unlisted Shares may be converted into H Shares. For further details, please refer to the paragraph headed "Conversion of our Unlisted Shares into H Shares" in this section.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the [REDACTED] and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total number of issued Shares in the hands of the public.

Our Company will meet the public float requirement under the Listing Rules after the completion of the [REDACTED] (whether or not the [REDACTED] is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after the [REDACTED].

OUR SHARES

Upon the completion of [REDACTED], our Shares will be divided into two categories, namely, Unlisted Shares and H Shares. Our Unlisted Shares and H Shares are both ordinary shares in the share capital of our Company and are considered as one class of Shares.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Unlisted Shares

According to stipulations made by the State Council's securities regulatory authority and the Articles of Association, our Unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Hong Kong Stock Exchange is required if any of our Unlisted Shares are to be converted in and traded as H Shares on the Hong Kong Stock Exchange. Based on the methodology and procedures for the conversion of our Unlisted Shares into H Shares as described in this section, our Company can apply for the listing of all or any portion of our Unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any [REDACTED] of additional shares after our Company's [REDACTED] on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our Company's [REDACTED] in Hong Kong.

No shareholder voting is required for the [REDACTED] and [REDACTED] of the converted shares on an overseas stock exchange. Any application for [REDACTED] of the converted shares on the Hong Kong Stock Exchange after our [REDACTED] is subject to prior notification by way of announcement to inform the Shareholders and the public of any proposed conversion.

As confirmed by our PRC Legal Adviser, the Articles of Association are not inconsistent with the relevant PRC laws and regulations on the conversion of unlisted shares.

Mechanism and procedures for conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Unlisted Shares will be withdrawn from the Unlisted Shares register and our Company will re-register such Shares on the H Share register of the Company maintained in Hong Kong and instruct the [REDACTED] to issue H Share certificates. Registration on our H Share register will be conditioned on (i) our [REDACTED] lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Listing Rules, the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of the promoters of the Company currently proposes to convert any of the Unlisted Shares held by it into H Shares.

LOCK-UP PERIODS

The Company Law provides that in relation to the [REDACTED] of a company, the shares issued by a company prior to the [REDACTED] shall not be transferred for a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, the Shares issued by our Company prior to the [REDACTED] shall be subject to this statutory restriction and shall not be transferred for a period of one year from the [REDACTED].

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and such members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are [REDACTED] and [REDACTED], nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions or conditions on the transfer of the Shares held by our Directors, Supervisors, members of senior management of our Company and other Shareholders. For further details, please refer to the section headed "Summary of Articles of Association of the Company" in Appendix VI to this document.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on an overseas stock exchange with the China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司) within 15 business days upon listing and provide a written report to the CSRC regarding the centralized registration and deposit of its non-overseas listed shares as well as the current offering and listing of shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

For details of circumstances under which our Shareholders' general meeting is required, please refer to the section headed "Summary of Articles of Association of the Company" in Appendix VI to this document.

You should read the following discussion and analysis with our historical financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this document. Our historical financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that involve risk and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to the years of 2021, 2022 and 2023 refer to the years ended December 31 of such years.

OVERVIEW

We are a construction group based in Tianjin that provided comprehensive construction services. According to the Frost & Sullivan Report, we ranked fourth among all the private enterprises engaged in municipal public construction in Tianjin in terms of revenue from municipal public construction works in 2022, representing a market share of approximately 0.2%. During the Track Record Period, we primarily engaged in construction business and strove to provide high quality construction services to our customers by leveraging our self-developed Jiexiao System, a comprehensive construction management software equipped with multiple functions including cost monitoring, progress measuring and resources tracking.

Our total revenue increased from RMB274.9 million in 2021 to RMB319.4 million in 2023 at a CAGR of 7.8%. Such continuous increase was mainly attributable to a combined effect of (i) the expansion of our construction business by capturing the business opportunities arising from substantial investment in infrastructure projects of larger size by the local government in Tianjin and leveraging our experience accumulated in municipal public construction works and (ii) our undertaking of more large scale projects (i.e. projects with original contract value (not including VAT) of more than RMB10.0 million). During the Track Record Period, the average contract amount for new project increased from RMB4.5 million in 2021 to RMB12.4 million in 2023. Our gross profit also increased from RMB71.7 million in 2021 to RMB80.3 million in 2023 at a CAGR of 5.8%.

BASIS OF PREPARATION

Our Company was established in the PRC on November 4, 2010 as a limited liability company under the laws of the PRC and was converted into a joint stock limited liability company on June 6, 2023. Our Group is principally engaged in construction business. The information of the subsidiaries is set out in Note 1 to Accountants' Report in Appendix I to this document.

The statutory financial statements of the Company for the years ended December 31, 2021 and 2022 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and were audited by the auditors named in Note 1 to the Accountants' Report as set out in Appendix I to this document. No audited statutory financial statements for the year ended 31 December 2023 were available as of the Latest Practicable Date.

Our financial information during the Track Record Period (the "**Historical Financial Information**") has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**"). Further details of the material accounting policy information adopted are set out in Note 2 to the Accountants' Report as set out in Appendix I to this document.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, our Group has adopted all applicable new and revised IFRS Accounting Standards consistently throughout the Track Record Period. Our Group has not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2023. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2023 are set out in Note 33 to the Accountants' Report as set out in Appendix I to this document.

The Historical Financial Information also complies with the applicable disclosure provisions of the Listing Rules.

The accounting policies set out in Note 2 to the Accountants' Report as set out in Appendix I to this document have been applied consistently to all periods presented in the Historical Financial Information.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following.

General economic conditions in China and government policies related to the PRC construction industry

The PRC construction industry is to a large extent affected by the conditions of the PRC economy. General economic conditions in China have affected and may continue to affect our business and results of operations. Our revenue directly correlates with the level of construction activities in China, particularly in Tianjin, where a majority of our construction projects were located during the Track Record Period. According to Frost & Sullivan, the future growth and level of profitability of the construction industry in the PRC is likely to depend primarily upon the continued availability of major construction works projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the PRC government's spending patterns on the construction and infrastructure industry in the PRC, the investment by property developers and the general conditions and prospects of the PRC economy. These factors may affect the amount of construction projects offered by the public sector, private sector or institutional bodies. Apart from the public spending of the PRC government, there are numerous factors affecting the construction industry, including cyclical trends in the economy as a whole, fluctuations in the interest rates and the availability of new projects in the private sector. Any changes in the national or local regulatory environment in respect of the PRC construction industry may also affect the level of activities in this industry, as well as the supply of land for property development, project financing, taxation and foreign investment. An occurrence of recession in the PRC, deflation or any changes in the PRC's currency policy, or decrease in the demand for construction works in the PRC may adversely affect our operations and profits.

Nature of the projects

We are awarded construction projects by our customers on a project-by-project basis with no long-term commitment. As of December 31, 2023, we had a total of 27 ongoing construction projects, and accordingly, upon the completion of these ongoing construction projects, our existing customers are not obligated to award projects to us again in subsequent construction project. Moreover, for the construction project which we will potentially engage in, we are required to undergo the entire tender selection process in order to be awarded with a new project. As such, the revenue attributable to our construction service is not recurring in nature.

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 despite the established relationships we may have with certain customers. As a result, our revenue and the number of projects we are able to secure may vary from period to period and it is difficult to forecast the volume of our business in the future. In the event that we are unable to secure new construction works projects from our current customers or to attract new customers, our Group's revenue or profit may decrease significantly and our business, financial condition or results of operation may be adversely affected.

Timing of collection on our construction projects and retention amounts

During the Track Record Period, our revenue was mainly generated from our construction business. For the years ended December 31, 2021, 2022 and 2023, our total revenue was RMB274.9 million, RMB288.0 million and RMB319.4 million, respectively. In general, we receive progress payments upon achievement of key milestones as set forth in our construction contracts, or on a periodic basis, in which we are able to start billing at an agreed percentage, generally ranging from 70.0% to 85.0%, of the total certified value of work we performed. As our construction projects usually take one month to one year to complete, the number of contracts and progress of each contract we undertake in any period may affect our results of operations and lead to fluctuations in revenue recognized from period to period. Further, our customers generally retain a retention fee of no more than 3.0% of the settlement amount calculated upon completion and acceptance of the construction projects payable to us. The retention fee will generally be returned to us at the end of the warranty period. The length of the warranty period typically ranges from one to two years, depending on the type of construction project.

Cost fluctuations in construction projects

The major costs components of our construction projects are costs of materials consumed, labor subcontracting costs, professional subcontracting costs and machinery usage costs. For the years ended December 31, 2021, 2022 and 2023, costs of materials consumed accounted for 48.0%, 41.4% and 28.8% of our cost of sales, respectively; labor subcontracting costs and staff costs accounted for 27.3%, 30.4% and 16.6% of our cost of sales, respectively; professional subcontracting costs accounted for 17.0%, 18.1% and 34.5% of our cost of sales, respectively; and machinery usage costs accounted for 5.1%, 9.0% and 13.0% of our costs of sales, respectively. For descriptions of our cost of sales, see "— Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Cost of sales" in this section.

Our quotation price at the tender or negotiation stage was derived based on a number of factors. We usually adopt the cost plus premium approach to determine our quotation price, taking into account factors such as: (i) estimated costs of raw materials, equipment and labor; (ii) scope and complexity of works; (iii) delivery schedule; (iv) expected profitability; (v) the prices that may be offered by other bidders; and (vi) information or indices published in the market or by the government. We will also consider the general project profitability and strategic cooperation with the customer within the price cap mentioned in the tender from time to time.

Generally, as we do not purchase raw materials or lease equipment until we enter into a contract with a customer, there may be unanticipated cost fluctuations or cost changes due to time spans, as a result of which the actual costs of the project undertaken may be higher than our estimated costs. Where construction contracts allow us to make adjustments and revise our estimated project costs in response to changing circumstances, such cost increase may be passed on to the customer, otherwise any cost increase may not be passed on to the customer. During the Track Record Period, as the project period of our projects are relatively short and we did not experience material cost fluctuations, there were no material differences between the estimated costs and the actual costs of our projects. Hence, no cost adjustment arrangements were made with our customers during the Track Record Period. In order to minimize the impact of possible fluctuations in costs and raw material prices during the course of a project, we usually select a fixed unit price or a fixed total price at the time of procurement and establish a price adjustment mechanism from time to time based on actual negotiations. In addition, we will also base our procurement on the actual needs of the project schedule, estimate the amount of labor and raw materials required during the project preparation phase, consider possible future changes in the price of raw materials, and closely monitor the use of raw materials during the project to minimize waste.

Generally, the price of our fixed lump sum contracts is subject to adjustment, if (i) we are required to provide additional services; (ii) certain force majeure occurs; or (iii) the project is materially delayed due to causes not attributable to us. The fees included in our fixed unit price contracts are determined by the unit price and the amount of work actually performed.

As mentioned above, no cost adjustment arrangements were made with our customers during the Track Record Period, any material fluctuation in our cost of sales may adversely impact our financial performance. Please refer to the paragraph headed "— Cost of Sale — Sensitivity analysis" in this section below for sensitivity analysis illustrating the impact of hypothetical fluctuations in our cost of sales on our profit before tax during the Track Record Period.

Performance and availability of our subcontractors

We may subcontract our construction works to our subcontractors. The subcontracting agreements with subcontractors may expose us to risks associated with non-performance, late performance or substandard performance by our subcontractors, which may have impact on our profitability, financial performance, operational cash flow and reputation, and may lead to potential litigation or damage claims. In addition, as we do not sign any long-term contracts with our subcontractors, there is no assurance that our Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable prices and terms of service with subcontractors. In such event, our operations and financial position may be adversely affected.

Access to and cost of financing

Our operation is capital intensive. During the Track Record Period, we mainly funded our operations from cash flows generated from operating activities and our cash and bank balances. The accessibility of bank borrowings depends on the prevailing policies of the government or other regulatory bodies in the PRC, and the implementation of the relevant policies by our financing banks on acquisition or construction of properties with bank financing. Our future expansion may be adversely affected in the event that we are not able to obtain sufficient financing to take up construction projects should suitable opportunities arise.

As of December 31, 2023, we had bank borrowings of RMB20.0 million in total, consisting of three bank loans which bear interest rates of 3.45% to 4.50% per annum. Our Directors expect that following the [REDACTED], our Company may, relying on our [REDACTED] status, be able to seek more external funding like bank facilities to fund our business expansion in the future. Therefore, any increase in interest rate may negatively affect our finance costs and thus, our results of operation.

Taxation

Our Company has been accredited as a High and New Technology Enterprise* (高新技術企業) and entitled to a preferential tax rate of 15.0% from 2019 to 2024. There is no assurance that we will continue to enjoy the preferential tax treatment after the term expires. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Industry — Discontinuation of any of the preferential tax treatments currently available to us can adversely affect our financial conditions and results of operations." If we could not maintain the status of High and New Technology Enterprise* (高新技術企業) of our Company, it may have an adverse effect on our cash flow and results of operation. According to the relevant tax rules in the PRC, qualified research and development expenses are allowed for additional tax deduction based on 75% of such expenses for the year ended December 31, 2021, and such ratio was raised to 100% from the fourth quarter of 2022. As a result, our effective tax rates during the Track Record Period were 13.0%, 10.4% and 12.6%, respectively.

On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《關於調整增值稅稅率的通知》), or Circular 32, according to which for VAT taxable sales acts or importation of goods originally subject to value-added tax rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively. Circular 32 became effective on May 1, 2018 and shall supersede existing provisions inconsistent with Circular 32. On March 20, 2019, MOF, SAT and GAC jointly promulgated the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Circular 39, which came into force on April 1, 2019 and according to which for general VAT payers' sales activities or imports that were subject to VAT at a current applicable rate of 16% or 10%, the applicable VAT rate was adjusted to 13% or 9%, respectively. Any termination or change in the various preferential tax treatments that we and our certain subsidiaries currently enjoy may have an adverse effect on our results of operation and financial position.

MATERIAL ACCOUNTING POLICY INFORMATION, JUDGMENT AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Further details are set forth in Notes 2 and 3 to the Accountants' Report as set out in Appendix I to this document.

Revenue recognition

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. We derive our revenue primarily from construction business. Our construction business is further divided into municipal public construction works, foundation works, building construction related works, petrochemical engineering works and other. Revenue derived from construction project is recognized progressively over time using the cost-to-cost method. Under the cost-to-cost method, revenue is recognized based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services. The estimated total construction costs for each project is prepared by our procurement department and commercial contact department mainly by reference to the contract amount, the amount of labor input and raw materials required, the market prices and quotations provided by the relevant suppliers and subcontractors on the raw materials required and such labor input involved in each of the projects as well as the prior experience of the management of our Group in similar projects. The record of actual costs incurred for a project was prepared by, with the assistance of our Jiexiao System, our on-site project manager of each of the projects from time to time during the project execution phase. Meanwhile, if our construction services include sales of construction materials, the revenue from sales of construction materials is recognized when the customer takes possession of and accepts the construction materials. For our other revenue (i.e. an insignificant part of revenue generated from the provision of software services during the Track Record Period), the revenue is recognized in the amount to which our Group has the right to invoice based on the value of performance completed on a monthly basis. If contracts involve the provision of multiple software services, the transaction prices are allocated to each performance obligation based on their relative stand-alone selling prices.

Construction business

Revenue generated from construction business mainly comprises the agreed contract amount.

Revenue of construction contracts is recognized progressively over time using the cost-to-cost method. Under the cost-to-cost method, revenue is recognized based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services.

Contract costs incurred in construction contracts comprise the costs of materials consumed, labor subcontracting costs, staff costs, professional subcontracting costs, machinery usage costs, freight fees and others. The record of actual costs incurred for a project was prepared by, with the assistance of our Jiexiao System, our on-site project manager of each of the projects from time to time during the project execution phase. In addition, our management conducts reviews of the project budgets by comparing the estimated costs to the actual costs from time to time.

An onerous contract exists when our Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

We review and revise the estimates of contract revenue and total estimated contract costs prepared for each construction contract as the contract progresses. Estimated construction costs are prepared by our procurement department and commercial contact department mainly by reference to the contract amount, the amount of labor input and raw materials required, the market prices and quotations provided by the relevant suppliers and subcontractors on such labor input involved in each of the projects as well as the prior experience of the management of our Group in similar projects.

Impairment of receivables and contract assets

We recognize a loss allowance for financial assets at amortized cost (including trade receivables, deposits and other receivables), contract assets and lease receivables for expected credit losses ("**ECLs**"), which are a probability weighted estimate of credit losses. In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. Loss allowances for trade receivables, leases receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a forward-looking model that takes into account loss given default ("**LGD**"), probability of default ("**PD**"), exposure of default ("**EAD**") and other factors. According to the model, ECL = PD * LGD * Forward looking adjustment * EAD * discount factor (the discount factor is not a material component in the model). A number of significant judgements, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, we compare the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, our Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to us in full, without recourse by us to actions such as realizing securities (if any is held). In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to our Group.

If the actual impairment losses are higher than the ECLs, we would be required to revise the basis for making the allowance and future results would be affected.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth a summary of the results of operations of our Group for the years indicated, as derived from the Accountants' Report set out in Appendix I to this document.

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue	274,944	287,960	319,437
Cost of sales	(203,238)	(215,365)	(239,131)
Gross profit	71,706	72,595	80,306
Other net income	4,729	1,012	1,141
Operating and administrative expenses	(24,960)	(24,281)	(28,789)
Impairment losses on trade receivables, lease receivables and other receivables and contract assets	(3,853)	(10,149)	(5,344)
Profit from operations	47,622	39,177	47,314
Finance cost	—	—	(366)
Profit before taxation	47,622	39,177	46,948
Income tax	(6,208)	(4,087)	(5,903)
Profit and total comprehensive income for the year attributable to equity owners/ shareholders of the Company	41,414	35,090	41,045
Earnings per share			
Basic and diluted *(RMB yuan)*	0.28	0.23	0.27

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated our revenue mainly from our construction business. Our total revenue amounted to RMB274.9 million, RMB288.0 million and RMB319.4 million for the years ended December 31, 2021, 2022 and 2023.

Revenue breakdown by types of construction services

The following table sets forth a breakdown of revenue by types of construction services for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000		*RMB'000*		*RMB'000*	
Municipal public construction works	144,712	52.6	86,469	30.0	186,201	58.3
— Traffic facilities construction	50,048	18.2	3,683	1.3	43,980	13.8
— Road construction	94,664	34.4	82,786	28.7	142,221	44.5
Foundation works	89,153	32.4	20,476	7.1	83,265	26.1
— Foundation construction	84,373	30.7	20,287	7.0	38,027	11.9
— Earthwork	4,780	1.7	189	0.1	45,238	14.2
Building construction related works	19,236	7.0	171,286	59.5	41,155	12.9
Petrochemical engineering works	21,703	8.0	8,918	3.1	8,195	2.5
Other(1)	140	*	811	0.3	621	0.2
Total	274,944	100.0	287,960	100.0	319,437	100.0

* *less than 0.1*

Note:

(1) Our other revenue included service income generated from the provision of software services such as Jiexiao System. During the Track Record Period, we provided software services in relation to Jiexiao System to external parties such as our suppliers and other market users while charging them with platform subscription fee and other services fee.

During the Track Record Period, our construction projects can be divided into: (i) municipal public construction works, (ii) foundation works, (iii) building construction related works and (iv) petrochemical engineering works.

Our total revenue increased by RMB13.1 million or 4.8% from RMB274.9 million for the year ended December 31, 2021 to RMB288.0 million for the year ended December 31, 2022, and further increased by RMB31.4 million or 10.9% to RMB319.4 million for the year ended December 31, 2023, mainly attributable to the overall expansion of our business and our undertaking of more large scale construction projects during the Track Record Period.

According to the Frost & Sullivan Report, in the future, according to the "Outline of the 14th Five-Year Plan (2021 –2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China" (《國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), the Tianjin Municipal Government is actively implementing urban renewal actions and promoting high quality urban transformation to enhance the operational quality of municipal infrastructure. Efforts are being made to create green urban areas and to complete the renovation of old urban communities built before the year-end of 2000 by 2025. In addition, as construction projects become more complex and larger in scale with the increasing urbanization rate and the rapid development of the construction industry in the PRC, opportunities are created for construction companies, which require higher standards of project management in terms of modeling, evaluation and control to achieve an overall balance of time, cost, quality and safety. Further, the Tianjin municipal government is advancing the development of Binhai New Area (濱海新區) to accelerate the improvement of infrastructure and public services. As a city with well-established infrastructure and high environmental quality, Tianjin is expected to witness rapid development from 2023 to 2027. Tianjin's municipal public construction market is forecast to reach approximately RMB71.2 billion in 2027, representing a CAGR of approximately 9.2% from 2022.

Since late 2020, in order to capture the business opportunities arising from the substantial investment in infrastructure projects of larger size by the local government in Tianjin, our Company adjusted our business focus from small-to-mid size construction projects to large scale construction projects to expand its business and enhance its market position in the construction industry in Tianjin. Subsequently, we were awarded several large scale municipal public construction projects and building construction related projects with individual contract value of over RMB10.0 million during the Track Record Period. Since 2021, our Group has enhanced its resources allocation for marketing activities and increased its tendering activities. Our Group has also identified suppliers with strong capabilities that matched with our project requirements and hired more project managers to cope with our business scale. The above measures enabled our Group to cope with our business expansion since 2021. In 2021, we undertook several large scale municipal public construction projects such as the Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目), Hangu East Expansion Project (漢沽東擴區項目) and Tianjin Nangang LNG Emergency Reserve Project (天津南港LNG應急儲備項目), which generated RMB49.2 million, RMB18.7 million and RMB16.1 million, representing 17.9%, 6.8% and 5.9% of our total revenue for the year ended December 31, 2021, respectively. Meanwhile, we also undertook some large scale foundation construction projects in 2021 such as Tianjin Nangang Foundation Pre-treatment Project (天津南港地基預處理項目), which generated a revenue of RMB47.8 million, representing 17.4% of our total revenue for the year ended December 31, 2021. In 2022, we undertook 10 out of 11 of the Tianjiang Apartment Projects (天江公寓項目). Those 10 projects had an aggregate contract amount (exclude variation orders) of approximately RMB135.2 million, which generated a total revenue of RMB129.7 million in the second half of 2022, representing 45.0% of our total revenue for the year ended December 31, 2022, in which we provided a wide range of building renovation, remodeling and upgrading services. A substantial part of our revenue for the year ended December 31, 2022 was recognized in the second half of the year, which was contributed by the following major projects:

Project name	Customer	Project type	Commencement date	Completion/ Expected completion date(1)	Contract amount(2) (RMB'000)	Revenue recognized in the second half of 2022 (RMB'000)
Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程)	Xintai Zhihui(3)	Building construction related works	September 2022	August 2023	26,846	24,904
Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)(4)	Municipal public construction works	May 2021	November 2022	90,985	23,890
Xintai Mechanical and Electrical Labor Subcontracting for Tianjiang Apartment Project — Jianfa (天江公寓鑫泰機電勞務分包 — 建發)	Xintai Zhihui(3)	Building construction related works	September 2022	June 2023	21,137	20,673
Outdoor Professional Subcontracting Project of Tianjiang Apartment Project (天江公寓室外工程專業分包)	Customer C(5)	Building construction related works	September 2022	August 2023	31,363	18,194
Decoration and Renovation Professional Subcontracting Project of Tianjiang Apartment Affordable Rental Housing Improvement and Renovation Project — Jianfa (天江公寓裝修專業分包 — 建發)	Customer C(5)	Building construction related works	September 2022	August 2023	22,090	16,815
Tianjiang Apartment Decoration Professional Subcontracting — Binhai Construction (天江公寓裝修專業分包 — 濱海建設)	Customer C(5)	Building construction related works	November 2022	August 2023	17,040	15,867
Tianjiang apartment construction labor professional subcontracting-Jianfa (天江公寓施工勞動專業分包 — 建發)	Customer C(5)	Building construction related works	September 2022	December 2022	15,128	15,128

Project name	Customer	Project type	Commencement date	Completion/ Expected completion date[(1)]	Contract amount[(2)] *(RMB'000)*	Revenue recognized in the second half of 2022 *(RMB'000)*
Infrastructure Project of Huanggang Vocational Education Industrial Park in Binhai New Area (Phase I) (濱海新區黃港職教產業園區基礎設施工程(一期))	Customer I[(6)]	Municipal public construction works	September 2022	August 2023	18,794	15,097
Tianjian Apartment Low Voltage Professional Construction Contracting — Jianfa (天江公寓弱電專業分包 — 建發)	Customer C[(5)]	Building construction related works	September 2022	August 2023	11,940	11,065
Tianjiang Apartment Changhong Fire Protection Material Purchasing-Yu Jia Cheng (天江公寓昌弘消防材料採購 — 裕嘉程)	Customer Z[(7)]	Building construction related works	September 2022	August 2023	4,141	3,793

Notes:

1. Expected completion date was based on the respective contract or progress schedule amended from time to time.

2. The contract amount does not include VAT.

3. Xintai Zhihui is a private enterprise established in the PRC with limited liability and a registered capital of approximately RMB76 million. It is mainly engaged in construction design, building renovation and decoration.

4. Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司) is a private enterprise established in the PRC with limited liability and a registered capital of RMB8 million. It is mainly engaged in municipal public construction and sales of construction related materials.

5. A group of companies based in the PRC and the holding company of which is Customer C, a state-owned enterprise established in the PRC with limited liability and a registered capital of RMB30,000 million. It is mainly engaged in real estate development, design and construction works and project management.

6. Customer I is a state-owned enterprise established in the PRC with limited liability and a registered capital of RMB5,080 million. It is mainly engaged in construction works, real estate development and investment management.

7. Customer Z is a private enterprise established in the PRC with limited liability and a registered capital of approximately RMB102 million. It is mainly engaged in building engineering construction, electric power engineering construction and landscaping engineering construction.

In 2023, we undertook several large scale projects, including Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段), Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段), Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程) and Professional Subcontracting of Pile Foundation Works for Tianjin Shuren Secondary and Higher Specialized School Project (天津市樹人中等、高等專科學校樁基礎工程專業分包). The aggregate contract amount of these four projects amounted to approximately RMB179.4 million, which generated a total revenue of RMB166.7 million, representing 52.2% of our total revenue for the year ended December 31, 2023.

As a result of the overall expansion of our construction business, our total revenue experienced a continuous increase during the Track Record Period.

Municipal public construction works

During the Track Record Period, we undertook municipal public construction works including traffic facilities construction and road construction. For the years ended December 31, 2021, 2022 and 2023, our revenue generated from municipal public construction works amounted to RMB144.7 million, RMB86.5 million and RMB186.2 million, respectively, and accounted for 52.6%, 30.0% and 58.3% of our total revenue during the same period, respectively.

The revenue generated from municipal public construction works decreased by RMB58.2 million or 40.2% from RMB144.7 million for the year ended December 31, 2021 to RMB86.5 million for the year ended December 31, 2022 mainly due to the decrease in our revenue generated from traffic facilities construction projects by RMB46.4 million from 2021 to 2022 as we focused on and deployed most of our resources in Tianjiang Apartment Projects (天江公寓項目) and other building construction related works in 2022.

The revenue generated from municipal public construction works increased by RMB99.7 million or 115.3% from RMB86.5 million for the year ended December 31, 2022 to RMB186.2 million for the year ended December 31, 2023, mainly due to the commencement and completion of certain large-scale projects in 2023, including Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段), Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段) and New Construction of Temporary Parking Lot at Wangzi East Area No. 10 (10號汪子東區臨時停車場新建工程), which generated a total revenue of RMB122.8 million.

Foundation works

During the Track Record Period, we undertook foundation works which included foundation construction and earthworks. We possessed the first-grade qualification in foundation construction professional contracting* (地基基礎工程專業承包一級) as of the Latest Practicable Date. For the years ended December 31, 2021, 2022 and 2023, our revenue generated from foundation works amounted to RMB89.2 million, RMB20.5 million and RMB83.3 million, and accounted for 32.4%, 7.1% and 26.1% of our total revenue during the same period, respectively.

The revenue generated from foundation works decreased by RMB68.7 million or 77.0% from RMB89.2 million for the year ended December 31, 2021 to RMB20.5 million for the year ended December 31, 2022 mainly due to the decrease in revenue of RMB64.1 million generated from our foundation construction projects as we substantially completed two large scale foundation construction projects in 2021.

The revenue generated from foundation works increased by RMB62.8 million or 306.3% from RMB20.5 million for the year ended December 31, 2022 to RMB83.3 million for the year ended December 31, 2023, mainly attributable to the commencement and completion of the Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程) in 2023, which recognized revenue of RMB43.7 million in 2023.

Building construction related works

During the Track Record Period, we undertook building construction related works, mainly including building renovation and decoration, and intelligent building construction. For the years ended December 31, 2021, 2022 and 2023, our revenue generated from building construction related works amounted to RMB19.2 million, RMB171.3 million and RMB41.2 million, and accounted for 7.0%, 59.5% and 12.9% of our total revenue during the same year, respectively.

The revenue generated from building construction related works significantly increased by RMB152.1 million or 792.2% from RMB19.2 million for the year ended December 31, 2021 to RMB171.3 million for the year ended December 31, 2022 mainly attributable to the Tianjiang Apartment Projects (天江公寓項目), which contributed an aggregate revenue of RMB129.7 million in 2022.

The revenue generated from building construction related works decreased by RMB130.1 million or 75.9% from RMB171.3 million for the year ended December 31, 2022 to RMB41.2 million for the year ended December 31, 2023, mainly due to the substantial completion of the Tianjiang Apartment Projects (天江公寓項目) in 2022.

Petrochemical engineering works

During the Track Record Period, we also undertook petrochemical engineering works, mainly including filling station upgrading and renovation, equipment installation and oil tank overhaul. We possessed the first-grade qualification in petrochemical engineering construction general contracting (石油化工工程施工總承包壹級資質) as of the Latest Practicable Date. For the years ended December 31, 2021, 2022 and 2023, our revenue generated from petrochemical engineering works amounted to RMB21.7 million, RMB8.9 million and RMB8.2 million and accounted for 8.0%, 3.1% and 2.5% of our total revenue during the same year, respectively.

The revenue generated from petrochemical engineering works decreased by RMB12.8 million or 59.0% from RMB21.7 million for the year ended December 31, 2021 to RMB8.9 million for the year ended December 31, 2022 mainly due to the substantial completion of our petrochemical engineering projects in 2021 and our focus on and deployment of most of our resources in the Tianjiang Apartment Projects (天江公寓項目) in 2022.

The revenue generated from petrochemical engineering works remained relatively stable at RMB8.9 million for the year ended December 31, 2022 and RMB8.2 million for the year ended December 31, 2023.

Cost of sales

Our cost of sales includes costs of materials consumed, labor subcontracting costs, staff costs, professional subcontracting costs, machinery usage costs, freight fees and others. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Costs of materials consumed	97,522	48.0	89,172	41.4	68,775	28.8
Labor subcontracting costs	50,770	25.0	62,055	28.8	35,615	14.9
Staff costs	4,743	2.3	3,454	1.6	4,109	1.7
Professional subcontracting costs	34,577	17.0	39,085	18.1	82,402	34.5
Machinery usage costs	10,384	5.1	19,482	9.0	31,172	13.0
Freight fees	1,647	0.8	133	0.1	14,940	6.2
Others	3,595	1.8	1,984	1.0	2,118	0.9
	203,238	100.0	215,365	100.0	239,131	100.0

Costs of materials consumed

Our costs of materials consumed represent direct costs for purchase of concrete, steel and other construction materials used in our projects. The main materials as well as various other auxiliary materials required vary depending on different types of project. Our costs of materials consumed accounted for 48.0%, 41.4% and 28.8% of our cost of sales for the years ended December 31, 2021, 2022 and 2023, respectively.

Our costs of materials consumed decreased by RMB8.3 million or 8.5% from RMB97.5 million for the year ended December 31, 2021 to RMB89.2 million for the year ended December 31, 2022, mainly due to the Tianjiang Apartment Projects (天江公寓項目) undertaken by us in 2022, which mainly involved building renovation and remodeling works. Therefore, we incurred less costs of materials consumed in 2022. Our cost of materials consumed decreased by RMB20.4 million or 22.9% from RMB89.2 million for the year ended December 31, 2022 to RMB68.8 million for the year ended December 31, 2023 mainly due to (i) our engagement of professional subcontractors to perform most of the ancillary and non-major parts of the Tianjin Wangzi East Project (Phase I) (天津市汪子東項

目一標段) and Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段); and (ii) our undertaking of a large scale soil backfilling project, namely the Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程) in 2023, which mainly involved soil backfilling works, resulting in lower costs of materials consumed.

Labor subcontracting costs and staff costs

Our labor subcontracting costs represent costs paid to labor subcontractors for providing works in construction projects. Our staff costs represent salaries, wages, insurance and other benefits of our staff in project department. Our total labor subcontracting costs and staff costs amounted to RMB55.5 million, RMB65.5 million and RMB39.7 million, accounting for 27.3%, 30.4% and 16.6% of our cost of sales for the years ended December 31, 2021, 2022 and 2023, respectively.

Our total labor subcontracting costs and staff costs increased by RMB10.0 million or 18.0% to RMB65.5 million for the year ended December 31, 2022, mainly due to the Tianjiang Apartment Projects (天江公寓項目), which mainly involved building renovation and remodeling works and were relatively more labor intensive, hence incurring more labor subcontracting costs and staff costs. Our total labor subcontracting costs and staff costs decreased by RMB25.8 million or 39.4% from RMB65.5 million for the year ended December 31, 2022 to RMB39.7 million for the year ended December 31, 2023, mainly due to the engagement of professional subcontractors to perform most of the ancillary and non-major parts of two large scale projects in 2023, namely Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段) and Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段).

Professional subcontracting costs

Our professional subcontracting costs mainly represent costs paid to professional subcontractors for certain ancillary construction services which require a certain level of expertise (including electricity system construction, fire protection, and waterproofing works). Our professional subcontracting costs accounted for 17.0%, 18.1% and 34.5% of our cost of sales for the years ended December 31, 2021, 2022 and 2023, respectively.

Our professional subcontracting costs increased by RMB4.5 million or 13.0% from RMB34.6 million for the year ended December 31, 2021 to RMB39.1 million for the year ended December 31, 2022 due to our engagement of more professional subcontractors to perform ancillary parts of our construction process for Tianjiang Apartment Projects (天江公寓項目). Our professional subcontracting costs increased by RMB43.3 million or 110.8% from RMB39.1 million for the year ended December 31, 2022 to RMB82.4 million for the year ended December 31, 2023 mainly due to the engagement of professional subcontractors to perform most of the non-major parts of our construction process and other ancillary construction services such as cement production and cement stabilization of Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段) and Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段) in 2023.

Machinery usage costs

Our machinery usage costs represent costs incurred in the use of machinery and equipment, such as cranes, excavators, loaders, and bulldozers. Our machinery usage costs accounted for 5.1%, 9.0% and 13.0% of our cost of sales for the years ended December 31, 2021, 2022 and 2023, respectively.

Our machinery usage costs increased by RMB9.1 million or 87.5% from RMB10.4 million for the year ended December 31, 2021 to RMB19.5 million for the year ended December 31, 2022. The significant increase of machinery usage costs in 2022 was mainly due to our undertaking of two foundation construction projects in 2022 which mainly relied on the use of pile drivers to carry out the works, hence incurring more machinery usage costs. Our machinery usage costs increased by RMB11.7 million or 60.0% from RMB19.5 million for the year ended December 31, 2022 to RMB31.2 million for the year ended December 31, 2023, mainly due to our undertaking of the foundation construction project of Tianjin Port Collection and Distribution Foundation Construction Project (天津港集疏運路基工程), Infrastructure Project of Huanggang Vocational Education Industrial Park in Binhai New Area (Phase I) (濱海新區黃港職教產業園區基礎設施工程(一期)) and Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程), which required the use of excavators, bulldozers, loaders and pile drivers to carry out the excavation and filling of pile foundation work.

Freight fees

Our freight fees mainly represent the costs incurred for transportation of cement, sand and concrete and freight for construction in earthwork projects. Our freight fees accounted for 0.8%, 0.1% and 6.2% of our cost of sales for the year ended December 31, 2021, 2022 and 2023, respectively. Our freight fees remained at relatively low level for the two years ended December 31, 2022 as we did not undertake large scale projects that involved transportation of large volume of construction materials in 2021 and 2022. Our freight fees increased significantly by RMB14.8 million from RMB0.1 million for the year ended December 31, 2022 to RMB14.9 million for the year ended December 31, 2023, mainly due to the soil backfilling works of the land remediation project for the Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程) which commenced in 2023 and involved transportation of large volume of construction materials such as sand, concrete and stones.

Others

Other costs represent project related construction testing costs, sporadic auxiliary production costs, fuel costs, etc. Our other costs accounted for 1.8%, 1.0% and 0.9% of our cost of sales for the years ended December 31, 2021, 2022 and 2023, respectively.

Our other costs decreased by RMB1.6 million or 44.4% from RMB3.6 million for the year ended December 31, 2021 to RMB2.0 million for the year ended December 31, 2022, mainly attributable to our enhanced control over project related expenses to reduce unnecessary expenditures since late 2021. Our other costs remained relatively stable at RMB2.0 million for the year ended December 31, 2022 and RMB2.1 million for the year ended December 31, 2023.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the costs of sales, with all other variables held constant, of our profit before tax during the Track Record Period:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Costs of sales increase/(decrease) by			
+3.0%	(6,097)	(6,461)	(7,174)
+5.0%	(10,162)	(10,768)	(11,957)
– 3.0%	6,097	6,461	7,174
– 5.0%	10,162	10,768	11,957

Gross profit and gross profit margin

As our business is project based, we may have different mix of construction services works rendered from time to time. We price our construction projects based on a cost plus premium approach, and under the terms of certain of our contracts, the prices we submit in our bid or negotiate in our contracts are fixed. Our cost plus premium approach to determine our fee quotation, taking into account factors such as: (i) estimated costs of raw materials, equipment and labor; (ii) scope and complexity of works; (iii) delivery schedule; (iv) expected profitability; (v) the prices that may be offered by other bidders; and (vi) information or indices published in the market or by the government. We would also consider the general project profitability and strategic cooperation with the customer within the price cap mentioned in the tender from time to time. We typically entered into fixed price contracts with our customers. Occasionally, we may also intentionally undertake contracts for which we expect lower gross profit margins due to our strategic considerations, e.g., expansion of our customer network, maintain our market shares or entrance into regional markets or business within certain industries. As a result of the above, our overall profitability as well as gross profit margin may vary from time to time.

Since late 2020, in order to capture the business opportunities arising from the substantial investment in infrastructure projects of larger size by the local government in Tianjin, we adjusted our business focus from small-to-mid size construction projects to large scale construction projects (i.e. projects with original contract value (not including VAT) of more than RMB10.0 million), particularly municipal public construction projects, to expand our business and enhance our market position in the construction industry in Tianjin. Despite we adjusted our business focus from small-to-mid size construction projects to large scale construction projects, there was no material change in our profitability during the Track Record Period, and our gross profit margin maintained relatively stable at 26.1%, 25.2% and 25.1% respectively during the Track Record Period. The gross profit margin of our municipal public construction projects also remained relatively stable at 29.1%, 24.6% and 27.6% respectively during the Track Record Period.

The following table sets forth our gross profit and gross profit margin by types of construction services for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Municipal public construction works	42,091	29.1	21,297	24.6	51,477	27.6
— Traffic facilities construction	20,818	41.6	981	26.6	13,445	30.6
— Road construction	21,273	22.5	20,316	24.5	38,032	26.7
Foundation works	24,705	27.7	5,559	27.2	18,343	22.0
— Foundation construction	22,926	27.2	5,507	27.1	7,998	21.0
— Earthworks	1,779	37.2	52	27.4	10,345	22.9
Building construction related works	2,471	12.8	43,154	25.2	7,656	18.6
Petrochemical engineering works	2,299	10.6	1,774	19.9	2,209	26.9
Other(1)	140	100.0	811	100.0	621	100.0
Total	**71,706**	**26.1**	**72,595**	**25.2**	**80,306**	**25.1**

Note:

(1) The gross profit margin of provision of software service was 100.0% during the Track Record Period since the software service was fully expensed with no corresponding amortized cost.

During the Track Record Period, we recorded gross profit of RMB71.7 million, RMB72.6 million and RMB80.3 million, and overall gross profit margin of 26.1%, 25.2% and 25.1%, respectively.

Our gross profit remained relatively stable from RMB71.7 million for the year ended December 31, 2021 to RMB72.6 million for the year ended December 31, 2022. Our gross profit increased by RMB7.7 million or 10.6% from RMB72.6 million for the year ended December 31, 2022 to RMB80.3 million for the year ended December 31, 2023, mainly due to the increase in our revenue during the same period.

Our gross profit margin remained relatively stable at 26.1% in 2021 and 25.2% in 2022 and 25.1% in 2023.

The gross profit of municipal public construction works decreased by RMB20.8 million from RMB42.1 million for the year ended December 31, 2021 to RMB21.3 million for the year ended December 31, 2022 and then increased by RMB30.2 million from RMB21.3 million for the year ended December 31, 2022 to RMB51.5 million for the year ended December 31, 2023. The gross profit margin of municipal public construction works decreased from 29.1% in 2021 to 24.6% in 2022 and returned to 27.6% in 2023. The fluctuations of our gross profit of municipal public construction works were in line with the fluctuations of the revenue generated from municipal public construction works. The relatively higher gross profit margin of municipal public constructions works in 2021 was mainly due to a higher revenue contribution by our traffic facilities construction projects as one of our large scale traffic facilities, namely Nangang Industrial District Traffic Facilities Construction Project (南港工業區交通設施工程項目), which generated a revenue of RMB12.3 million in 2021 and reaped a higher gross profit margin. The relatively higher gross profit margin of Nangang Industrial District Traffic Facilities Construction Project (南港工業區交通設施工程項目) was mainly attributable to our carrying out most of works in this project, hence incurred less labor subcontracting costs.

The gross profit of foundation works decreased by RMB19.1 million from RMB24.7 million for the year ended December 31, 2021 to RMB5.6 million for the year ended December 31, 2022, which was in line with the decrease in revenue generated from foundation works during the same year. The gross profit margin of foundation works remained stable at 27.7% and 27.2% in 2021 and 2022.

The gross profit of foundation works increased by RMB12.7 million from RMB5.6 million for the year ended December 31, 2022 to RMB18.3 million for the year ended December 31, 2023, and the gross profit margin of foundation works decreased from 27.2% for the year ended December 31, 2022 to 22.0% for the year ended December 31, 2023. The increase in our gross profit of foundation works was in line with the increase in revenue generated from foundation works for the year ended December 31, 2023. The decrease in gross profit margin of foundation works was mainly due to the our undertaking of a large scale project, the Professional Subcontracting of Pile Foundation Works for Tianjin Shuren Secondary and Higher Specialized School Project (天津市樹人中等、高等專科學校樁基礎工程專業分包), which incurred relatively higher amount of cost of materials and, led to lower gross profit margin in 2023.

The gross profit of building construction related works increased from RMB2.5 million for the year ended December 31, 2021 to RMB43.2 million for the year ended December 31, 2022. Meanwhile, the gross profit margin of building construction related works increased from 12.8% in 2021 to 25.2% in 2022. The significant increase in gross profit and gross profit margin of building construction related works in 2022 was mainly attributable to the Tianjiang Apartment Projects (天江公寓項目), in which we were mainly responsible for building renovation and remodeling services. As building renovation and remodeling works are generally labor intensive, we incurred relatively less costs of materials consumed in Tianjiang Apartment Projects (天江公寓項目), hence attaining higher gross profit margin in 2022.

The gross profit of building construction related works decreased by RMB35.5 million from RMB43.2 million for the year ended December 31, 2022 to RMB7.7 million for the year ended December 31, 2023, and the gross profit margin of building construction related works decreased from 25.2% for the year ended December 31, 2022 to 18.6% for the year ended December 31, 2023. The decrease in our gross profit of building construction related works was mainly due to the decrease in revenue generated from building construction related works and the decrease in the gross profit margin of building construction related works, mainly attributable to the substantial completion of Tianjiang Apartment Projects (天江公寓項目) and Xincheng Jiayuan Comprehensive Environmental Improvement Project (新城家園小區環境綜合整治工程) in 2022, which had higher gross profit margin due to the building renovation and remodeling works are generally labor intensive, thus incurred relatively less costs of materials and attained a higher gross profit margin for the year ended December 31, 2022.

The gross profit of petrochemical engineering works decreased by RMB0.5 million from RMB2.3 million for the year ended December 31, 2021 to RMB1.8 million for the year ended December 31, 2022, which was in line with the fluctuations of the revenue generated from petrochemical engineering works. The gross profit margin of petrochemical engineering works, however, increased from 10.6% in 2021 to 19.9% in 2022, which was mainly attributable to our business strategy to expand our petrochemical engineering works business outside Tianjin since 2020. We adopted a competitive pricing strategy in regions outside Tianjin in 2020 when we first set foot into new markets in order to establish our market presence. After being awarded certain projects in the new markets in 2021, including Nanchang, we gradually adjusted our pricing strategy since 2022 of petrochemical engineering works to enhance our profitability in this type of construction projects.

The gross profit of petrochemical engineering works increased by RMB0.4 million from RMB1.8 million for the year ended December 31, 2022 to RMB2.2 million for the year ended December 31, 2023, and the gross profit margin of petrochemical engineering works increased from 19.9% for the year ended December 31, 2022 to 26.9% for the year ended December 31, 2023. The increase in our gross profit of petrochemical engineering works was mainly due to the increase in the gross profit margin of petrochemical engineering works. The increase in the gross profit margin of petrochemical engineering works was attributable to (i) the Fengxi New City Natural Gas High-pressure Gas Supply Pipeline Project (Phase II) (灃西新城天然氣高壓供氣管道工程二標段), which generated a revenue of RMB4.9 million and had a higher gross profit margin as, to the understanding of our Directors, the project involved higher technical knowhow; and (ii) the higher mark-up in pricing that we charged in relation to the additional work that were not included in the original work scope of the existing petrochemical engineering projects as requested by our customers. In future, we may adjust our pricing in such projects if and when our customers request additional work and also considering that we have now established market presence and some reputation in the petrochemical engineering work segment outside Tianjin. For details in relation to our qualification in petrochemical engineering works, please refer to the section headed "Business — Overview" in this document.

Other net income

Our other net income mainly consist of net gain on sales of demolition right, income from property management services, interest income on finance lease, interest income on bank deposits, government grants, net gain on disposal of property, plant and equipment and others. The following table sets forth a breakdown of our other net income for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Net gain on sales of demolition right	3,284	—	—
Property management services	572	572	572
Interest income on finance lease	565	550	534
Interest income on bank deposits	21	25	20
Government grants	290	171	26
Net gain on disposal of property, plant and equipment	—	80	—
Others	(3)	(386)	(11)
	4,729	1,012	1,141

Net gain on sales of demolition right

Our net gain on sales of demolition right represented the income from a sale of the demolition right of a petroleum refining station in Gansu Province in 2021, which mainly comprised refinery machinery units and ancillary plant facilities. We acquired such demolition right through bidding which we submitted in 2020 at a total consideration of RMB9.9 million. Subsequently, we decided not to proceed with the project and sold the demolition right by way of tender for better allocation of our resources in other projects after taking in account our capacity at the relevant material time. We received consideration in the amount of RMB14.9 million from Customer T for such sales of demolition right, which was the highest price among the tenders submitted to us. To the best knowledge of our Directors, the price was determined by Customer T after taking into consideration the resale value of the underlying assets. The net gain on sales of demolition right of RMB3.3 million was arrived at after deducting our original cost of acquiring such demolition right (being RMB9.9 million) and the relevant tax expenses (being RMB1.7 million) from the selling price of RMB14.9 million. Customer T acquired such demolition right from us as Customer T was principally engaged in trading of construction materials, recycling of scrap materials and has participated in certain demolition projects in recent years. We did not provide any financing to Customer T to fund the acquisition of such demolition right from us. For further details of our relationship with Customer T, please refer to "— Prepayments, deposits and other receivables" in this section.

Property management services

Our income from property management services derived from provision of car-parking space and cleaning services to a portion of our Group's properties leased out to the Independent Third Parties for office use during the Track Record Period. Our income from property management services remained stable at RMB0.6 million for the years ended December 31, 2021, 2022 and 2023.

Interest income on finance lease

Our interest income on finance lease derived from the finance lease of a portion of our Company's properties to the Independent Third Parties for office use during the Track Record Period. The external leasing was treated as a finance lease.

Our interest income on finance lease remained stable at RMB0.6 million, RMB0.6 million and RMB0.5 million, respectively, for the years ended December 31, 2021, 2022 and 2023.

Government grants

Our government grants in 2021 amounted to RMB0.3 million, which consisted of (i) the subsidy granted by the Human Resources and Social Security Bureau for the return of social security (人力資源和社會保障局 — 社保穩崗返還補貼); (ii) the incentives for municipal high-tech certification in Tianjin (天津市市級高新認定獎勵金); (iii) the award for being selected as gazelle enterprises for the first time (首次入選瞪羚企業的獎勵款); and (iv) subsidies for research and development expenses.

Our government grants in 2022 amounted to RMB0.2 million, which consisted of (i) post-research and development subsidies for enterprises awarded by the Science and Technology Innovation Bureau of Tianjin Economic-Technological Development Zone (天津經濟技術開發區科技創新局 — 企業研發後補助); (ii) job stabilization subsidies and unemployment insurance refunds (穩崗補貼失業險返還), and re-evaluation awards for gazelle enterprises in Tianjin (天津市瞪羚企業復評獎勵).

Our government grants for the year ended December 31, 2023 amounted to RMB26,000, which mainly consisted of the unemployment insurance granted by Tianjin Social Insurance Fund Management Center (天津市社會保險基金管理中心退失業保險).

Operating and administrative expenses

Our operating and administrative expenses mainly consist of R&D costs, staff costs, depreciation of property, plant and equipment, office costs, entertainment and travel expenses, [REDACTED], utility fee and others. The following table set forth a breakdown of our operating and administrative expenses for the periods indicated:

	Year ended December 31					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
R&D costs	11,092	44.4	10,233	42.1	8,309	28.9
Staff costs	5,228	20.9	5,819	24.0	8,270	28.7
Entertainment and travel expenses	1,082	4.3	1,154	4.8	3,888	13.5
Depreciation of property, plant and equipment	3,185	12.8	3,179	13.1	4,091	14.2
Office costs	1,141	4.6	745	3.1	1,089	3.8
Utility fee	598	2.4	690	2.8	592	2.1
[REDACTED]	197	0.8	863	3.6	331	1.1
Others	2,437	9.8	1,598	6.5	2,219	7.7
Total	**24,960**	**100.0**	**24,281**	**100.0**	**28,789**	**100.0**

R&D costs

During the Track Record Period, our R&D costs were incurred mainly for our R&D projects of a treatment method of roadbed hazard (路基危害的處理方法), a construction method of underground pipes (地下管道施工方法), a construction method of bite pile (咬合樁施工方法) and upgrading and improvements of Jiexiao System.

Our R&D costs slightly decreased by RMB0.9 million or 8.1% from RMB11.1 million for the year ended December 31, 2021 to RMB10.2 million for the year ended December 31, 2022, mainly due to the decrease in the number of our R&D staff in 2022. Our R&D costs decreased by RMB1.9 million or 18.8% from RMB10.2 million for the year ended December 31, 2022 to RMB8.3 million for the year ended December 31, 2023, mainly due to the decrease in the cost for R&D machinery rental fee and R&D materials for our R&D projects in 2023.

Entertainment and travel expenses

Our entertainment and travel expenses remained relatively stable at RMB1.1 million and RMB1.2 million for the years ended December 31, 2021 and 2022, respectively. Our entertainment and travel expenses increased by RMB2.7 million or 236.9% from RMB1.2 million for the year ended December 31, 2022 to RMB3.9 million for the year ended December 31, 2023, mainly due to the increase in travelling expenses incurred during our Group's [REDACTED] and was in line with the increase in revenue for the year ended December 31, 2023.

Staff costs

Our staff costs represent the expenses of salaries, bonus and other benefits paid or payable by us to our staff other than staff in our project department and R&D department for their benefit.

Our staff costs remained relatively stable at RMB5.2 million for the year ended December 31, 2021 and RMB5.8 million for the year ended December 31, 2022. Our staff costs increased by RMB2.5 million or 42.1% from RMB5.8 million for the year ended December 31, 2022 to RMB8.3 million for the year ended December 31, 2023, mainly due to the increase in the number of staff in 2023.

Depreciation of property, plant and equipment

Our depreciation of property, plant and equipment represents depreciation of buildings improvements, motor vehicles and other equipment.

Our depreciation of property, plant and equipment remained stable at RMB3.2 million for the years ended December 31, 2021 and 2022. The depreciation of property, plant and equipment increased by RMB0.9 million or 28.7% from RMB3.2 million for the year ended December 31, 2022 to RMB4.1 million for the year ended December 31, 2023, mainly due to the depreciation of our fixed assets purchased in the second half of 2022.

Office costs

Our office costs mainly represent costs of office supplies.

Our office costs decreased from RMB1.1 million for the year ended December 31, 2021 to RMB0.7 million for the year ended December 31, 2022, mainly due to less office costs incurred in 2022. Our office costs increased by RMB0.3 million or 46.2% from RMB0.7 million for the year ended December 31, 2022 to RMB1.1 million for the year ended December 31, 2023, mainly due to procurement of additional office supplies.

Utility fee

Our utility fee remained relatively stable at RMB0.6 million, RMB0.7 million and RMB0.6 million for the years ended December 31, 2021, 2022 and 2023, respectively.

[REDACTED]

[REDACTED] represent professional services fees incurred for the purpose of the [REDACTED]. We incurred [REDACTED] of RMB[REDACTED] in 2021, RMB[REDACTED] in 2022 and RMB[REDACTED] in 2023. For details, please refer to the section headed "Financial Information — [REDACTED]" in this document.

Others

Others of operating and administrative expenses consist of insurance fees, transportation fees, membership fees for the professional associations that we joined, and other miscellaneous expenses. Our other operating and administrative expenses remained relatively stable at RMB2.4 million and RMB1.6 million for the years ended December 31, 2021 and 2022. Our other operating and administrative expenses increased by RMB0.6 million or 38.9% from RMB1.6 million for the year ended December 31, 2022 to RMB2.2 million for the year ended December 31, 2023, mainly due to the increase in number of staff and the relevant administrative expenses.

Impairment losses on trade receivables, lease receivables and other receivables and contract assets

We recorded impairment losses on trade receivables, lease receivables and other receivables and contract assets during the Track Record Period, which represented the ECLs on our trade and bills receivables, lease receivables, contract assets, prepayments, deposits and other receivables. We conducted impairment analysis at the end of each year during the Track Record Period. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flow due to our Group in accordance with the contract and cash flows that our Group expects to receive). In measuring ECLs, our Group takes into account reasonable and supportable information that is available without undue cost and effort. This includes information about past events, current conditions and forecast of future economic conditions. An impairment loss is reversed if there has been a favorable change in estimates used to determine the recoverable amount.

The following table sets forth the details of impairment losses on the trade receivables, lease receivables and other receivables and contract assets for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Impairment losses on trade and bills receivables	1,564	4,015	672
Impairment losses/(reversal of impairment losses) on lease receivables	35	34	(66)
Impairment losses on contract assets	2,121	3,505	7,406
Impairment losses/(reversal of impairment losses) on prepayments, deposits and other receivables	133	2,595	(2,668)
	3,853	10,149	5,344

For the year ended December 31, 2021, we recorded impairment losses on trade receivables, lease receivables and other receivables and contract assets of RMB3.9 million mainly due to the impairment losses on trade and bills receivables of RMB1.6 million and the impairment losses on contract assets of RMB2.1 million, which was in line with the increase in our revenue as a result of expansion of our business in 2021. Our impairment losses on trade receivables, lease receivables and other receivables and contract assets increased by RMB6.2 million or 159.0% to RMB10.1 million for the year ended December 31, 2022 mainly due to increasing aging balance of trade and bills receivables, contract assets and other receivables of over one year. Our impairment losses on trade receivables, lease receivables and other receivables and contract assets decreased by RMB4.8 million or 47.5% to RMB5.3 million for the year ended December 31, 2023 mainly attributable to a reversal of impairment losses on trade receivables of RMB9.0 million due to the transfer of Bishui Properties to us in May 2023. For details, please refer to the section headed "Business — Property" in this document.

The following tables set forth the ECL rates applied to different age groups of our contract assets and trade and bills receivables for the periods indicated:

Contract assets

	Year December 31,					
	2021		2022		2023	
	ECL rate	ECLs	ECL rate	ECLs	ECL rate	ECLs
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Within 1 year	2.09%	2,446	2.29%	4,568	2.52%	4,669
1 to 2 years	3.80%	415	3.99%	413	4.96%	1,770
2 to 3 years	5.67%	81	6.02%	611	7.55%	411
Over 3 years	—	—	63.33%	855	81.55%	7,003
Total		2,942		6,447		13,853

Trade and bills receivables

	Year December 31,					
	2021		2022		2023	
	ECL rate	ECLs	ECL rate	ECLs	ECL rate	ECLs
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Within 1 year	1.83%	1,352	1.87%	1,918	2.74%	5,282
1 to 2 years	3.76%	344	3.98%	646	4.96%	1,914
2 to 3 years	5.73%	570	6.04%	384	7.55%	501
Over 3 years	—	—	63.29%	3,333	79.51%	8,299
Total		2,266		6,281		15,996

Our Group elected to measure loss allowances for contract assets and trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. With the support of the valuation performed by the independent valuer engaged by our Group, our Group has established a formula that is based on exposure at default ("**EAD**"), loss given default ("**LGD**") (i.e. the magnitude of the loss if there is a default) and probability of default ("**PD**"), adjusted for forward-looking factors ("**FLF**") with reference to the prevailing macro-economic environment condition.

The above ECL rates adopted by our Group for each year during the Track Record Period were determined based on a number of parameters, among others, (i) the average PD and LGD of the construction and building industry as published by Moody's, one of the world's largest credit-rating agencies which regularly publishes annual default rates and recovery rates of defaulted bonds by industry in its annual default study ("**Annual Default Study**"), and therefore is an authoritative and reliable source of credit-related information and is widely used in the field of credit risk assessment; and (ii) FLF adjustment based on the latest development of the macro-economic environment with reference to the PRC's latest GDP growth. The ECL rate adopted by our Group for each year during the Track Record Period therefore fluctuated corresponding with the changes in the above parameters and aging structure of our Group's trade and bills receivables and contract assets. The ECL is regularly reviewed by our management to ensure relevant information about specific directions or reason for project is updated.

Our Directors are of the view that the ECL rates are fair and reasonable, our provision for impairment losses on trade and bills receivables and contract assets was sufficient during the Track Record Period, on the basis that, among others:

(i) the valuation methodology adopted was in accordance with IFRS 9;

(ii) the PD and LGD were based on information from the Annual Default Study published by Moody's, one of the largest global credit rating agencies. Our Directors consider such information to be appropriate as (a) the Annual Default Study is regarded as an authoritative and reliable source of credit related information and is widely used in the field of credit risk assessment and were prepared based on a proprietary database of default rates and credit-rating covering approximately 30,000 companies in the world that have long term rated bonds and/or loans; (b) notwithstanding that our Company's customers are based in China, there is no publicly available dataset or study on default rates of construction companies in China that is authoritative, commonly referred to and regularly published. The Annual Default Study covers Chinese companies and companies in other countries. It provides a relevant starting point and is also information that could be obtained by our Company without undue cost and effort; (c) for PD, our Directors have referred to the average default rate of the entities in the construction and building industry in the Annual Default Study, because the Company's vast majority customers are in the construction and building industry. In addition, the default rate in the Annual Default Study reflects the probability of default by the entities in the industry, i.e. it is not specific to the type of instruments (e.g. loans, bonds, trade receivables etc.); (d) the recovery rate of the unsecured bonds issued by entities in the construction and building industry was adopted for LGD, given that our Company's trade receivables and contract assets are not secured or collateralized; (e) EAD is based on the gross carrying amount of the trade receivables and contract assets; (f) given that the development of the construction and building industry in China and hence the performance of our Company' customers, which in turn affects their ability to pay, is closely linked to macroeconomic factors, such as GDP, the loss allowance has been adjusted based on China's GDP growth rate to take into account current and forward looking information; and (g) it is also considered whether a provision matrix could be used to estimate the loss allowance for the trade receivables and contract assets, since it is a method that is commonly used in practice. However, our business is still in its development stage before the Track Record Period, is of a relatively small scale with a relatively few number of construction projects and thus has limited historical information to generate a provision matrix that is suitable for estimating the loss rate. Therefore, taking into account the above, the use of inputs from the Annual Default Study represents a sound approach and reasonable information that are available without undue cost and effort for the purpose of calculating expected credit loss;

(iii) the independent valuer was engaged to perform the assessment which was in line with the market practice;

(iv) no specific provisions were being made during the Track Record Period as we were not aware of any material deterioration in our customers' creditability;

(v) we had no material disputes with our customers regarding subsequent billing for our contract assets and subsequent settlement of our trade and bills receivables during the Track Record Period and up to the Latest Practicable Date; and

(vi) based on our latest understanding from publicly available information and to the best knowledge of our Directors, we are not aware of any of our trade receivable and contract asset debtors as of December 31, 2023 has been wound-up or dissolved as of the Latest Practicable Date.

Our ECL rates remained stable throughout the Track Record Period, as there were no material changes to the parameters for determining the ECL rate.

Income tax expenses

For the years ended December 31, 2021, 2022 and 2023, our income tax expenses were RMB6.2 million, RMB4.1 million and RMB5.9 million, respectively, and our effective tax rate during the same year was 13.0%, 10.4% and 12.6%, respectively.

During the Track Record Period, we did not have any material dispute or unresolved issues with relevant tax authorities.

Profit and total comprehensive income

Our profit and total comprehensive income for the years ended December 31, 2021, 2022 and 2023 was RMB41.4 million, RMB35.1 million and RMB41.0 million, respectively.

REVIEW OF HISTORICAL RESULTS OF OUR OPERATIONS

2023 compared to 2022

Revenue

Our revenue increased by RMB31.4 million or 10.9% from RMB288.0 million for the year ended December 31, 2022 to RMB319.4 million for the year ended December 31, 2023, mainly attributable to the substantial completion of certain large scale projects, such as Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段), Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段), Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Earth Backfill Project (天津市濱海新區醫藥產業園建設專案土方回填工程) and Professional Subcontracting of Pile Foundation Works for Tianjin Shuren Secondary and Higher Specialized School Project (天津市樹人中等、高等專科學校樁基礎工程專業分包), all of which commenced in 2023 with an aggregate contract amount of approximately RMB179.4 million, resulting in an increase in revenue for the year ended December 31, 2023.

Cost of sales

Our cost of sales increased by RMB23.7 million or 11.0% from RMB215.4 million for the year ended December 31, 2022 to RMB239.1 million for the year ended December 31, 2023. Such increase was largely in line with the increase in our revenue for the same period.

Gross profit and gross profit margin

Our gross profit increased by RMB7.7 million or 10.6% from RMB72.6 million for the year ended December 31, 2022 to RMB80.3 million for the year ended December 31, 2023, which was largely in line with the increase in revenue for the same period.

Our gross profit margin remained relatively stable at 25.2% for the year ended December 31, 2022 and 25.1% for the year ended December 31, 2023.

Other net income

Our other net income remained relatively stable at RMB1.0 million for the year ended December 31, 2022 and RMB1.1 million for the year ended December 31, 2023.

Operating and administrative expenses

Our operating and administrative expenses increased by RMB4.5 million or 18.5% from RMB24.3 million for the year ended December 31, 2022 to RMB28.8 million for the year ended December 31, 2023, mainly due to the increase in entertainment and travel expenses attributable to the travelling expenses incurred during our Group's [REDACTED] and the increase in staff cost attributable to the increase in our number of staff for the year ended December 31, 2023.

Impairment losses on trade receivables, lease receivables and other receivables and contract assets

Our impairment losses on trade receivables, lease receivables and other receivables and contract assets decreased by RMB4.8 million from RMB10.1 million for the year ended December 31, 2022 to RMB5.3 million for the year ended December 31, 2023, mainly due to the transfer of the Bishui Properties to our Company to satisfy debt payment pursuant to a court ruling dated September 29, 2018. Subsequent to the completion of the legal procedures in relation to the transfer of the Bishui Properties, such properties were recognized as investment properties of RMB9.0 million in May 2023 based on its market value as of May 31, 2023, and a corresponding amount of reversal of impairment losses on trade and bills receivables of RMB9.0 million which was recognized for the year ended December 31, 2023.

Income tax expenses

Our income tax expenses increased by RMB1.8 million or 43.9% from RMB4.1 million for the year ended December 31, 2022 to RMB5.9 million for the year ended December 31, 2023, mainly due to the increase in taxable profit for the year ended December 31, 2023.

Our effective tax rate increased from 10.4% for the year ended December 31, 2022 to 12.6% for the year ended December 31, 2023 primarily due to the decrease in the percentage of tax deduction of the qualified R&D expenses in the taxable profit in 2023.

Profit and total comprehensive income for the period and net profit margin

As a result of the foregoing, our Group recognized an increase of profit and total comprehensive income from RMB35.1 million for the year ended December 31, 2022 to RMB41.0 million for the year ended December 31, 2023. Our net profit margin remained relatively stable at 12.2% for the year ended December 31, 2022 and 12.8% for the year ended December 31, 2023, respectively.

2022 compared to 2021

Revenue

Our revenue increased by RMB13.1 million or 4.8% from RMB274.9 million for the year ended December 31, 2021 to RMB288.0 million for the year ended December 31, 2022. Such increase was mainly attributable to the significant increase of RMB152.1 million in revenue generated from our building construction related works as we undertook Tianjiang Apartment Projects (天江公寓項目), partially offset by the decrease of RMB58.2 million in revenue generated from our municipal public construction works and the decrease of RMB68.7 million in revenue generated from our foundation works. Given the size and tight construction schedule of Tianjiang Apartment Projects (天江公寓項目), we focused on and deployed most of our resources to ensure the quality and timely completion of Tianjiang Apartment Projects (天江公寓項目) in 2022. Hence, we undertook comparatively fewer projects of other construction types.

Cost of sales

Our cost of sales increased by RMB12.2 million or 6.0% from RMB203.2 million for the year ended December 31, 2021 to RMB215.4 million for the year ended December 31, 2022. Such increase was in line with the increase in our revenue for the same year.

Gross profit and gross profit margin

Our gross profit remained relatively stable at RMB71.7 million for the year ended December 31, 2021 and RMB72.6 million for the year ended December 31, 2022. Our overall gross profit margin also remained relatively stable at 26.1% for the year ended December 31, 2021 and 25.2% for the year ended December 31, 2022.

Other net income

Our other net income decreased from RMB4.7 million for the year ended December 31, 2021 to RMB1.0 million for the year ended December 31, 2022 as we recorded the net gain on sales of demolition right in 2021.

Operating and administrative expenses

Our operating and administrative expenses remained relatively stable at RMB25.0 million for the year ended December 31, 2021 and RMB24.3 million for the year ended December 31, 2022.

Impairment losses on trade receivables, lease receivables and other receivables and contract assets

Our impairment losses on trade receivables, lease receivables and other receivables and contract assets increased by RMB6.2 million or 159.0% from RMB3.9 million for the year ended December 31, 2021 to RMB10.1 million for the year ended December 31, 2022 mainly due to impairment losses on trade and bills receivables and impairment losses on contract assets of RMB4.0 million and RMB3.5 million, respectively, and the impairment losses on prepayments, deposits and other receivables of RMB2.6 million in 2022, mainly due to longer aging of the relevant trade and bills receivables, contract assets and prepayments, deposits and other receivables.

Income tax expenses

Our income tax expenses decreased by RMB2.1 million or 33.9% from RMB6.2 million for the year ended December 31, 2021 to RMB4.1 million for the year ended December 31, 2022 mainly attributable to the decrease in taxable profit.

Our effective tax rates decreased from 13.0% for the year ended December 31, 2021 to 10.4% for the year ended December 31, 2022 mainly attributable to the increase in the percentage of tax deduction of the qualified R&D expenses in the taxable profit in 2022.

Profit and total comprehensive income for the year and net profit margin

As a result of the foregoing, our Group recognized a decrease of profit and total comprehensive income from RMB41.4 million for the year ended December 31, 2021 to RMB35.1 million for the year ended December 31, 2022. Our net profit margin decreased from 15.1% for the year ended December 31, 2021 to 12.2% for the year ended December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital requirements through cash flows from operations. Our primary liquidity requirements are to meet working capital sufficiency, fund the payment of other payables and loans due on our indebtedness, and realize growth of our operations. We expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the [REDACTED] from the [REDACTED] to finance a portion of our working capital requirements.

Our cash and cash equivalents as of December 31, 2021, 2022 and 2023 was RMB11.3 million, RMB20.2 million and RMB6.4 million, respectively. The reason for such fluctuation in the balance of our cash and cash equivalents was mainly attributable to that our business is project-based and our progress of construction work varied among projects at different point of time. We may experience significant amount of cash outflow at a specific point of time when certain projects, in particular large scale projects, are at the initial stage which we may incur significant amount of upfront cost, which may lead to a decrease in the amount of cash and cash equivalents at the relevant point of time.

Despite our cash and cash equivalents fluctuated from time to time during the Track Record Period, we managed to expand our business since 2021 without experiencing financial difficulties. Coupled with our internal control measures, our Directors are of the view that our business operations have not been affected by the fluctuations in our cash and cash equivalents during the Track Record Period.

As of February 29, 2024, we had cash and cash equivalents of RMB2.1 million. Substantially all of our Group's cash and bank balances are held in RMB.

Working capital sufficiency

In order to manage our liquidity position in view of our working capital requirement for paying the upfront cost of our construction projects, we have adopted the following measures:

- we manage our cash flow and working capital by closely monitoring and managing, among other things, (i) a similar level of trade and bills receivables and contract assets to that of the trade and bills payables, and (ii) the settlement rate of trade and bills payables due to our suppliers by leveraging our bargaining power in the market;

- we also diligently review future cash flow requirements and assess our ability to meet debt repayment schedules, and if necessary, adjust our investment and financing to ensure that we maintain sufficient working capital;

- before undertaking each new contract, our finance department will prepare an analysis of the forecasted amount and timing of cash inflows and outflows in relation to the project as well as our other liquidity requirements associated with our ongoing projects and our overall business operations so as to ensure the sufficiency of our financial resources;

- to enhance our internal control on cashflow and liquidity management, our designated staff makes cashflow projection on a monthly basis and closely monitors the cash flow position. If it is anticipated that there is operating cash outflow in the following month our senior management will assess the impact and consider measures to strengthen the cashflow position; and

- if, based on the regular monitoring by our designated staff, there is any expected shortage of internal financial resources, we will consider different financing alternatives, including obtaining adequate committed lines of funding from banks and other financial institutions.

Taking into account the estimated [REDACTED] from the [REDACTED], available banking facilities, cash and cash equivalents and cash flows from our operations, our Directors are of the opinion that we have sufficient working capital to meet our financial requirements for at least the next 12 months from the date of this document.

Cash flows

The following table sets out a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Operating profit before working capital changes	47,622	39,177	46,948
Changes in working capital	(42,612)	(34,227)	(82,950)
Income tax paid	(380)	(6,579)	(6,865)
Net cash generated from/(used in) operating activities	11,167	11,150	(33,600)
Net cash (used in)/generated from investing activities	(12,672)	748	9,300
Net cash generated from/(used in) financing activities	615	(3,010)	10,522
Net (decrease)/increase in cash and cash equivalents	(890)	8,888	(13,778)
Cash and cash equivalents at the beginning of the year	12,202	11,312	20,200
Cash and cash equivalents at the end of the year	11,312	20,200	6,422

Operating activities

During the Track Record Period, we mainly generated our cash inflow from the receipt of payments from our construction business. Our cash used in operations principally comprises costs of materials consumed, labor subcontracting costs, staff costs, professional subcontracting costs, machinery usage costs, freight fees and operating and administrative expenses.

For the year ended December 31, 2021, we recorded a profit before tax of RMB47.6 million and net cash generated from operating activities of RMB11.2 million. The difference of RMB36.4 million was mainly due to the increase in our contract assets of RMB82.3 million and the increase in our trade and bills receivables of RMB60.4 million, partially offset by the increase in our trade and bills payables of RMB89.0 million.

For the year ended December 31, 2022, we recorded a profit before tax of RMB39.2 million and net cash generated from operating activities of RMB11.2 million. The difference of RMB28.0 million was mainly due to the increase in contract assets of RMB91.6 million, the increase in our trade and bills receivables of RMB37.3 million and the income tax paid of RMB6.6 million, partially offset by the increase in our trade and bills payables of RMB90.7 million.

For the year ended December 31, 2023, we recorded a profit before tax of RMB46.9 million and net cash used in operating activities of RMB33.6 million. The difference of RMB80.5 million was mainly due to increase in trade and bills receivables of RMB118.2 million, as a result of our completion of certain large scale projects in the second half of 2023 and the certification process of such projects were substantially completed in late 2023 (such trade and bills receivables were pending settlement of payment by the relevant customers as of December 31, 2023), and the income tax paid of RMB6.9 million, partially offset by the increase in our trade and bills payables of RMB44.3 million.

Although we recorded a temporary net cash used in operating activities for the year ended December 31, 2023, the increase in trade and bills receivables for the year as a result of the certification process of large scale projects were aged within one year. Besides, no material dispute was noted between us and the relevant customers in relation to payment settlement and our Directors were not aware of any customers with trade receivables aging over one year having any specific financial liquidity problems.

In order to improve our operating cash flow position, we attempt to align the payment terms of our customers with our suppliers in order to minimize the chance of temporary cash flow mismatch. Furthermore, we regularly monitor the settlement and aging of our trade receivables. Based on aging analysis of contract assets and trade receivables prepared by the finance department, the project management team under our engineering management department monitors and discusses with our customers the collection of trade receivables through telephone and emails, identifies projects with long outstanding contract assets and trade receivables and assesses the recoverability of outstanding sum for each project individually. In particular, the key measures that our Group will take in relation to the long outstanding sum from customers are summarized as follows:

- the designated person shall formulate a follow-up plan on the collection of trade receivables and closely communicate with the customer to agree on a payment schedule to ensure that the outstanding sum will be settled within reasonable time, usually within 12 months. For example, among the trade and bills receivables of Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目) and Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程), RMB19.2 million were aged over one year as of December 31, 2023 and RMB8.3 million were subsequently settled as of the Latest Practicable Date pursuant to our active approach and continuous effort in following-up with the relevant customers; and

- for outstanding amounts that aged significantly longer than expected, subject to the discussion among the general manager and the responsible personnel of the finance department and the engineering management department, we will communicate with the relevant customers to promote the customers to speed up the certification and settlement process. We will also refrain from tendering for projects of such customers.

Investing activities

During the Track Record Period, our net cash used in investing activities was primarily for payment for the purchase of property, plant and equipment and advances to related parties and third parties. Our net cash generated from investing activities primarily consisted of proceeds from disposal of property, plant and equipment, net of transaction cost and decrease in advances to related parties and third parties.

For the year ended December 31, 2021, we had net cash used in investing activities of RMB12.7 million mainly due to the payment for advances granted to related parties of RMB11.6 million and the payment for the purchase of property, plant and equipment of RMB3.5 million.

For the year ended December 31, 2022, we had net cash generated from investing activities of RMB0.7 million mainly due to the proceeds from repayment of advances granted to third parties of RMB40.0 million and the proceeds from repayment of the advances to related parties of RMB9.0 million, partially offset by the payments for advances granted to third parties of RMB40.0 million and the payment for the purchase of property, plant and equipment of RMB8.3 million.

For the year ended December 31, 2023, we had net cash generated from investing activities of RMB9.3 million mainly due to the rentals received of RMB2.6 million and the proceeds from repayment of advances granted to third parties of RMB8.2 million, partially offset by the purchase of property, plant and equipment of RMB1.4 million.

Financing activities

During the Track Record Period, our net cash generated from financing activities consisted of proceeds from capital contribution and advances from third parties and related parties. Our net cash used in financing activities consisted primarily of payments for share issuance expenses, net decrease in advances from third parties and related parties.

For the year ended December 31, 2021, our net cash generated from financing activities amounted to RMB0.6 million mainly due to the advances from third parties of approximate RMB5.4 million and the proceeds from capital contribution of RMB1.0 million, partially offset by the repayment to third parties of RMB5.9 million.

For the year ended December 31, 2022, our net cash used in financing activities amounted to RMB3.0 million mainly due to the repayment to related parties of RMB32.2 million and payments for issuance costs in connection with the proposed [REDACTED] of our Company's [REDACTED] of RMB[REDACTED] partially offset by our advances from related parties of RMB32.1 million.

For the year ended December 31, 2023, we had net cash generated from financing activities of RMB10.5 million mainly due to the proceeds from bank loans of RMB30.0 million, the proceeds from capital contributions of RMB10.0 million, partially offset by the repayment of bank loans of RMB10.0 million and the repayment of advances received from related parties of RMB5.4 million.

CURRENT ASSETS AND CURRENT LIABILITIES

Net current assets

The table below sets forth selected information from our consolidated statements of financial positions as of the dates indicated, which have been extracted from our historical financial information in the Accountants' Report in Appendix I to this document:

	As of December 31,			As of February 29,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Current assets				
Inventories	175	194	282	47
Contract assets	126,628	214,735	221,275	184,134
Trade and bills receivables	90,680	123,983	232,497	222,663
Lease receivables	2,335	3,135	1,473	713
Prepayments, deposits and other receivables	20,860	12,160	25,010	25,586
Restricted bank deposits	575	575	4,369	4,369
Cash and cash equivalents	11,312	20,200	6,422	2,082
	252,565	374,982	491,328	439,594
Current liabilities				
Trade and bills payables	140,811	231,469	275,784	222,050
Contract liabilities	365	746	749	515
Accrued expenses and other payables	36,051	37,459	27,797	25,370
Lease liabilities	—	—	81	83
Short-term bank loan	—	—	20,000	30,000
Income tax payable	6,644	5,546	6,682	2,452
	183,871	275,220	331,093	280,470
Net current assets	68,694	99,762	160,235	159,124

We recorded net current assets as of December 31, 2021, 2022 and 2023 at RMB68.7 million, RMB99.8 million and RMB160.2 million, respectively.

Our net current assets increased by RMB31.1 million from RMB68.7 million as of December 31, 2021 to RMB99.8 million as of December 31, 2022 mainly due to the increase in our contract assets of RMB88.1 million and the increase in trade and bills receivables of RMB33.3 million in 2022, partially offset by the increase in trade and bills payables of RMB90.7 million.

Our net current assets increased by RMB60.4 million from RMB99.8 million as of December 31, 2022 to RMB160.2 million as of December 31, 2023 mainly due to the increase in trade and bills receivables of RMB108.5 million and increase in prepayments, deposits and other receivables of RMB12.9 million, partially offset by the increase in bank loans of RMB20.0 million and the increase in trade and bills payables of RMB44.3 million.

As of February 29, 2024, our unaudited net current assets decreased to RMB159.1 million.

DESCRIPTION OF SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

The following table sets out the respective net book value of our Group's property, plant and equipment as of the dates as indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Buildings and buildings improvements	43,320	42,029	39,635
Motor vehicles and other equipment	2,136	6,270	5,749
Total	45,456	48,299	45,384

Our property, plant and equipment mainly consist of (i) buildings and buildings improvements and (ii) motor vehicles and other equipment. The net book value of our property, plant and equipment increased from RMB45.5 million as of December 31, 2021 to RMB48.3 million as of December 31, 2022 mainly attributable to the purchase of additional R&D related machinery and equipment. The net book value of our property, plant and equipment decreased from RMB48.3 million as of December 31, 2022 to RMB45.4 million as of December 31, 2023 mainly due to the depreciation recognized.

Inventories

During the Track Record Period, we maintained a low level of inventory for our business operations as the raw materials we procured were delivered from our suppliers to our construction sites and were used shortly after the delivery.

Contract assets

Recognition of contract assets and the composition of our contract assets

Contract assets represent our right to consideration for work completed but have yet to reach relevant billing milestone at the reporting date on revenue related to the provision of construction services. Contract assets are recognized when our Group recognizes revenue based on the progress of our construction projects but before being unconditionally entitled to consideration under the payment terms as set out in the contract, which is usually upon certification or completion of settlement audit of our construction projects. We recognize revenue over time with cost-to-cost method which is measured by the proportion of the actual costs incurred relative to the estimated total construction costs as a percentage of the total contract value of the corresponding project. For details of our revenue recognition policy, please refer to "— Material Accounting Policies, Judgment and Estimates" in this section. In practice, after commencement of the project and subject to the terms of the contract, we would assess the volume of work that we have performed. We have established effective internal control measures to ensure that (i) the total cost of each construction project is estimated accurately; and (ii) the revenue of each construction project is recognized in the same year as those relevant costs incurred to avoid timing differences between the recognition of revenue and costs. For details of such internal control measures, please refer to "Description of Selected Items of The Consolidated Statements of Financial Position — Trade and bills receivables — Trade receivables and contract assets control policy" in this section. During the Track Record Period, there were no material differences between our estimated costs and the actual costs incurred for our construction projects.

Contract assets of our Group comprise:

(i) work performed by us which was recognized as revenue, but not yet submitted to the customers for certification mainly because we performed our works near the end of year and we were still preparing the necessary documents as requested by the customers for certification of such works;

(ii) work performed by us which was recognized as revenue, and has been submitted to the customers for certification, but the customers' certifications have not yet been granted; and

(iii) work performed by us which has been certified by the customers but are yet to become unconditionally entitled for billing under the payment terms of the contracts (i.e. upon completion of settlement audit, transfer of completed construction works or other payment milestones as stipulated in the contract).

Contract assets in situations (i) and (ii) above are classified as "overdue" whilst item (iii) above is classified as "not overdue".

Contract assets are reclassified to trade receivables when our Group has an unconditional right to receive consideration. Contract assets are assessed for ECLs in accordance with our accounting policies.

The certification process of our construction work and the industry norm about billing progress of contract assets

Generally, during the performance of the construction work, we would submit progress reports to the construction inspectors engaged by our customers and our customers showing the work we have performed on a monthly basis or upon achievement of certain major milestones as set out in the contract for the customers' certification. We are entitled to make progress billing to our customers according to the terms stipulated in the contract, based on an agreed progress billable percentage of the agreed certified value of the work performed by us.

- In general, according to the terms of the contract, our Group would be able to bill 70% to 85% of the certified value of work performed for each certification. Such 70% to 85% of the value of work performed which is originally recognized as contract assets (overdue), would be reclassified from contract assets to trade receivables upon the completion of the certification process. As such, our Group would generally be able to bill our customers after the completion of the certification process and the certified value of work performed is typically determined by construction inspectors engaged by our customers. Subject to the complexity and scale of the projects, it may take several months or even up to years for the customers to go through their internal process for the certification.

- For the remaining 15% to 30% of the certified value of work performed, it will continue to be recognized as contract assets (not overdue) and would only be reclassified as trade receivables when it becomes unconditional for billing (other than the retention fee which usually accounts for approximately 3% of the final settlement value) upon the completion of the settlement audit. The retention fee is billed in full at the end of the warranty period, which usually takes another one to two years from the acceptance of our submission of the completion inspection report to our customers.

According to Frost & Sullivan, the percentage of performed work that we are entitled to bill our customers out of the total certified value before completion of settlement audit is comparable to that of our industry peers, which are generally entitled to bill their customers 50% to 90% of the total certified value of the work performed before completion of the settlement audit. It is not uncommon that it may take years from the commencement of a project until the completion of settlement audit, when construction companies are entitled to bill most of the settlement value of a project. The industry range for period of conversion of contract assets to trade receivables is approximately half year to three years, depending on the complexity and scale of the projects. In particular, the certification and settlement audit process are generally longer for large scale projects, complex projects and projects with government authorities or state-owned enterprises as customers.

For details of the payment term of our typical construction contracts, please refer to the section headed "Business — Customers, Sales And Marketing — Construction contracts" in this document.

The following table sets forth our contract assets as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
Arising from performance under construction contracts			
— due from a related party	2,548	—	—
— due from third parties	127,022	221,182	235,128
	129,570	221,182	235,128
Less: loss allowance	(2,942)	(6,447)	(13,853)
	126,628	214,735	221,275

The following tables set forth details of our top five contract assets by projects as of each of December 31, 2021, 2022 and 2023:

As of December 31, 2021

Project Name	Customer Name	Customer type	Project description	Contract assets (gross amount)	ECLs	Contract assets (net amount)	Aging analysis: Not overdue and within one year	Aging analysis: Over one year	Amount of subsequent billing of contract assets up to the Latest Practicable Date
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)	Private enterprises	Road construction	35,126	(644)	34,482	34,482	—	33,697
Wuyi Yangguang Piling Project (五一陽光樁基項目)	Customer F	Private enterprises	Foundation construction	11,436	(210)	11,226	11,226	—	1,751
Nangang Industrial District Traffic Facilities Construction Project (南港工業區交通設施工程)	Customer L	Government authorities and state-owned enterprise	Traffic facilities construction	6,474	(166)	6,308	6,308	—	6,474
Hangu East Expansion Project (漢沽東擴區項目)	Customer G	Government authorities and state-owned enterprise	Traffic facilities construction	5,472	(116)	5,356	5,356	—	1,998
Wannianqiao North Road Upgrade Project (萬年橋北路道路提升工程)	Customer D	Government authorities and state-owned enterprise	Road construction	5,285	(105)	5,180	5,180	—	1,771

As of December 31, 2022

Project Name	Customer Name	Customer type	Project description	Contract assets (gross amount)	ECLs	Contract assets (net amount)	Aging analysis		Amount of subsequent billing of contract assets up to the Latest Practicable Date
							Not overdue and within one year	Over one year	
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)	Private enterprises	Road construction	27,296	(525)	26,771	26,771	—	25,866
Tianjiang Apartment Decoration Professional Subcontracting — Binhai Construction (天江公寓裝修專業分包 — 濱海建設)	Customer C	Government authorities and state-owned enterprise	Building construction related work	15,867	(305)	15,562	15,562	—	15,867
Tianjiang Apartment Construction Labor Professional Subcontracting (天江公寓施工勞務專業分包)	Customer C	Government authorities and state-owned enterprise	Building construction related work	15,128	(291)	14,837	14,837	—	13,615
Infrastructure Project of Huanggang Vocational Education Industrial Park in Binhai New Area (Phase I) (濱海新區黃港職教產業園區基礎設施工程(一期))	Customer I	Government authorities and state-owned enterprise	Road construction	15,097	(481)	14,616	14,616	—	9,209
Outdoor Professional Subcontracting Project of Tianjiang Apartment Project (天江公寓室外工程專業分包)	Customer C	Government authorities and state-owned enterprise	Pipe construction work	11,851	(227)	11,624	11,624	—	11,851

As of December 31, 2023

Project Name	Customer Name	Customer type	Project description	Contract assets (gross amount)	ECLs	Contract assets (net amount)	Aging analysis		Amount of subsequent billing of contract assets up to the Latest Practicable Date
							Not overdue and within one year	Over one year	
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Professional Subcontracting of Pile Foundation Works for Tianjin Shuren Secondary and Higher Specialized School Project (天津市樹人中等、高等專科學校樁基礎工程專業分包)	Customer C	Government authorities and state-owned enterprise	Pile foundation works	27,876	(673)	27,203	27,203	—	27,876
New Construction of Temporary Parking Lot at Wangzi East Area No.10 in Binhai New Area (Phase I)	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)	Private enterprises	Road surface works	27,757	(670)	27,087	27,087	—	27,757
Outdoor Professional Subcontracting Project of Tianjiang Apartment Project (天江公寓室外工程專業分包)	Customer C	Government authorities and state-owned enterprise	Pipe construction work	16,648	(443)	16,205	14,684	1,521	11,851
Engineering and Social Infrastructure Construction Projects in High-Tech Area (Phase II) (高新區兩類設施建設工程二期)	Customer D	Government authorities and state-owned enterprise	Traffic facilities construction	14,809	(358)	14,451	14,451	—	7,794
Huaze Weiye New Factory Construction Project (華澤偉業新建廠房項目)	Tianjin Huaze Weiye Technology Company Limited* (天津市華澤偉業科技有限公司)	Private enterprises	Road construction	10,721	(532)	10,189	—	10,189	8,855

Aging analysis of our contract assets

As of December 31, 2021, 2022 and 2023, the aging analysis of contract assets based on overdue dates and classified by types of debtors, and the subsequent billing of contract assets based on overdue dates up to the Latest Practicable Date are as follows:

	As of December 31,																	
	2021						2022						2023					
	Government authorities or stated-owned enterprises	Private enterprises	Total	% of total contract assets	Less: amount subsequently billed up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government authorities or stated-owned enterprises	Private enterprises	Total	% of total contract assets	Less: amount subsequently billed up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government authorities or stated-owned enterprises	Private enterprises	Total	% of total contract assets	Less: amount subsequently billed up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*
Not overdue	28,488	46,617	75,105	59.3	57,501	17,604	28,644	36,701	65,345	30.4	34,751	30,594	37,311	5,441	42,752	19.3	113	42,639
Within 1 year	34,992	4,666	39,658	31.3	37,742	1,916	102,445	26,981	129,426	60.3	129,426	—	97,047	40,940	137,987	62.4	87,072	50,915
1–2 years	9,475	1,044	10,519	8.3	8,376	2,143	9,747	180	9,927	4.6	7,314	2,613	21,104	12,813	33,917	15.3	13,204	20,713
2–3 years	1,271	75	1,346	1.1	96	1,250	9,297	244	9,541	4.4	7,550	1,991	4,947	88	5,035	2.3	2,365	2,670
Over 3 years	—	—	—	—	—	—	496	—	496	0.3	—	496	1,541	43	1,584	0.7	1,584	—
	74,226	52,402	126,628	100.0	103,715	22,913	150,629	64,106	214,735	100.0	179,041	35,694	161,950	59,325	221,275	100.0	104,338	116,937

Our Directors considered that the aging analysis of our contract assets prepared based on recognition date could reflect the period in which the underlying construction works were performed, which would be useful for indicating the amount of contract assets recognized in each of the age groups.

As of December 31, 2021, 2022 and 2023, our contract assets which were not overdue amounted to RMB75.1 million, RMB65.3 million and RMB42.8 million, representing 59.3%, 30.4% and 19.3% of our total contract assets at the respective time. The decrease in our contract assets which were not overdue as of December 31, 2023 was primarily due to the completion of the settlement audit process of Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程) in mid-2023, resulting in the transfer of RMB27.3 million of contract assets which were not overdue to trade and bills receivables.

While we would submit progress reports to our customers on a monthly basis or upon achievement of certain milestones, a large portion of our contract assets were overdue during the Track Record Period. As of December 31, 2021, 2022 and 2023, our contract assets which were overdue amounted to RMB51.5 million, RMB149.4 million and RMB178.5 million, representing 40.7%, 69.6% and 80.7% of our total contract assets at the respective time. A large portion of our contract assets were overdue during the Track Record Period as (a) we have not submitted the certification requests to our customers mainly because we may have performed our works but have yet to prepare the necessary documents as requested by the customers for certification of such works; or (b) we have submitted the certification requests to our customers but the customers' certifications have not yet been granted due to reasons beyond our control. As of December 31, 2021, 2022 and 2023, our contract assets which were aged within one year amounted to RMB39.7 million, RMB129.4 million and RMB138.0 million, representing 31.3%, 60.3% and 62.4% of our total contract assets at the respective time. The ratio of our contract assets aged over one year to our total contract assets remained relatively stable at 9.4% as of December 31, 2021 and 9.3% as of December 31, 2022, respectively, and increased to 18.3% as of December 31, 2023.

Our Directors are of the view that adopting the threshold of one year in the aging analysis of our contract assets is appropriate, taking into account that (i) based on our Directors' experience, a significant portion of our contract assets could be settled within one year from the time of revenue recognition; (ii) the average of our Group's contract assets turnover days for the years ended December 31, 2021, 2022 and 2023 was 200.1 days (i.e. within one year); and (iii) according to Frost & Sullivan, the range of average contract assets turnover days of our industry peers were from 199.6 days to 265.0 days for the years ended December 31, 2021, 2022 and 2023 (i.e. within one year). The contract assets turnover days of our industry peers for the year ended December 31, 2023 were annualized figures calculated based on the six months ended June 30, 2023 financials of such industry peers.

We are able to maintain a relatively healthy aging of contract assets

As illustrated in the table above, the percentage of our contract assets aged over one year to our total contract assets remained relatively stable at 9.4% as of December 31, 2021 and 9.3% as of December 31, 2022 notwithstanding that there was a general increase in the amount of our total contract assets. Such ratio was increased to 18.3% as of December 31, 2023 primarily due to our undertaking of more large scale projects since 2021, which such larger projects usually require longer time for certification and settlement audit. For example, the Huaze Weiye New Factory Construction Project (華澤偉業新建廠房項目), with a contract amount of RMB19.3 million, had RMB10.2 million of contract assets aged over one year as of December 31, 2023, among which RMB8.9 million were subsequently transferred to our trade and bills receivables as of the Latest Practicable Date. Accordingly, whilst the total amount of our contract assets increased as we achieved growth in our revenue during the Track Record Period, we were able to convert most contract assets into trade and bills receivables within one year of due date, by facilitating certification, keeping a healthy trend in the overall aging portfolio of our contract assets.

The fluctuation of our contract assets during the Track Record Period

Our contract assets balance: During the Track Record Period, the balance of our contract assets increased from RMB126.6 million as of December 31, 2021 to RMB214.7 million as of December 31, 2022, primarily because the revenue recognized from Tianjiang Apartment Projects (天江公寓項目) was greater than the certified progress billings as a result of the resurgence of COVID-19 in various provinces across the PRC in 2022. Our contract assets remained relatively stable at RMB214.7 million as of December 31, 2022 and RMB221.3 million as of December 31, 2023, respectively.

Our average contract amount: During the Track Record Period, our total revenue increased from RMB274.9 million in 2021 to RMB319.4 million in 2023 at a CAGR of 7.8%. On the other hand, the average contract amount of our new projects increased from RMB4.5 million in 2021 to RMB12.4 million in 2023, as we undertook more large scale projects since 2021. According to Frost & Sullivan, the project duration and the certification and settlement audit process of large scale projects are relatively longer when compared to those of small scale projects. Hence the contract asset amount of large scale projects is generally greater than small scale projects. Accordingly, due to our business expansion in 2021, our contract assets increased during the Track Record Period.

Our contract assets aged over one year: Our contract assets aged over one year increased by RMB8.1 million or 68.2% from RMB11.9 million as of December 31, 2021 to RMB20.0 million as of December 31, 2022 mainly due to the impact of COVID-19, which led to travel restriction in relevant areas of our projects, resulting in delay in the certification process. Our contract assets aged over one year further increased to RMB40.5 million as of December 31, 2023 primarily due to our undertaking of more large scale projects since 2021, which such larger projects usually require longer time for certification and settlement audit. For example, the Huaze Weiye New Factory Construction Project (華澤偉業新建廠房項目), with a contract amount of RMB19.3 million, had RMB10.2 million of contract assets aged over one year as of December 2023, among which RMB8.9 million were subsequently transferred to our trade and bills receivables as of the Latest Practicable Date.

During the Track Record Period, the balance of our contract assets recognized from government authorities or stated-owned enterprises increased from RMB74.2 million as of December 31, 2021 to RMB150.6 million as of December 31, 2022, which was mainly attributable to the revenue recognized from Tianjiang Apartment Projects (天江公寓項目) was greater than the certified progress billings as a result of the resurgence of COVID-19 in various provinces across the PRC in 2022. Our balance of our contract assets recognized from government authorities or stated-owned enterprises remained relatively stable at RMB150.6 million as of December 31, 2022 and RMB162.0 million as of December 31, 2023, respectively.

During the Track Record Period, the balance of our contract assets recognized from private enterprises increased from RMB52.4 million as of December 31, 2021 to RMB64.1 million as of December 31, 2022, which was in line with the increase in our revenue derived from private enterprises for the year ended December 31, 2022. Our balance of our contract assets recognized from private enterprises decreased from RMB64.1 million as of December 31, 2022 to RMB59.3 million as of December 31, 2023, which was mainly attributable to the completion of the settlement audit process of Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程).

Analysis of contract assets turnover days

The following table sets forth our average contract assets turnover days as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
Average contract assets turnover days(1)	117.4	222.3	260.7

Note:

(1) Average contract assets turnover days is equal to the average of the opening and closing balances of gross contract assets of the relevant period divided by revenue of the relevant period and multiplied by 365 days for each of the years ended December 31, 2021, 2022 and 2023.

As of December 31, 2021, 2022 and 2023, our average contract assets turnover days were 117.4 days, 222.3 days and 260.7 days, respectively.

Our contract assets turnover day increased from 117.4 days for the year ended December 31, 2021 to 222.3 days for the year ended December 31, 2022. Such increase was mainly attributable to the substantial completion of a number of projects during the year, including Tianjiang Apartment Projects (天江公寓項目) and Infrastructure Project of Huanggang Vocational Education Industrial Park in Binhai New Area (Phase I) (濱海新區黃港職教產業園區基礎設施工程), which the certification or settlement audit process were delayed as a result of the resurgence of COVID-19 in 2022 and we were required to submit additional information for certification purpose by the relevant customers.

Our contract asset turnover days for the year ended December 31, 2023 further increased to 260.7 days primarily due to our undertaking of more large scale projects since 2021, which such larger projects usually require longer time for certification and settlement audit. For example, the Huaze Weiye New Factory Construction Project (華澤偉業新建廠房項目), with a contract amount of RMB19.3 million, had RMB10.2 million of contract assets aged over one year as of December 31, 2023, among which RMB8.9 million were subsequently transferred to our trade and bills receivables as of the Latest Practicable Date.

Reasons for fluctuations in our contract assets during the Track Record Period

During the Track Record Period, our Group experienced increase in the amount of contract assets, primarily due to the following reasons:

- *A majority of our customers were government authorities or state-owned enterprises*

  During the Track Record Period, our revenue was mainly derived from government authorities or state-owned enterprises, which in total amounted to RMB175.4 million, RMB176.5 million and RMB180.6 million, respectively, representing 63.8%, 61.5% and 56.7% of our total revenue generated from construction projects for the relevant year. We encountered longer certification and settlement audit process for such customers. As of December 31, 2021, 2022 and 2023, our contract assets attributable to government authorities or state-owned enterprises were RMB74.2 million, RMB150.6 million and RMB161.9 million, respectively, representing 58.6%, 70.1% and 73.2% of our total contract assets, respectively. According to Frost & Sullivan, government authorities or state-owned enterprises usually have more internal procedures relating to certification and settlement audit due to the involvement of multiple departments and/or personnels, which may require many rounds of discussion and communication in order to determine the amount of and agree on the certification. Such prolonged internal approval procedure of these customers often resulted in delay in the certification process, hence delaying the conversion of our contract assets to trade receivables. For example, the Infrastructure Project of Huanggang Vocational Education Industrial Park in Binhai New Area (Phase I) (濱海新區黃港職教產業園區基礎設施工程(一期)), which was one of our top 10 projects for the year ended December 31, 2022, recorded RMB5.6 million of contract assets aged over one year as of December 31, 2023, representing 13.8% of our total contract assets aged over one year as of December 31, 2023.

  In addition, during the Track Record Period, the certification processes of our certain projects with government authorities or state-owned enterprises as customer were further delayed because, to the understanding of the Directors, (i) certain customers underwent reorganization or corporate restructuring; and (ii) the responsible personnel of certain projects have changed during the duration of the relevant projects, therefore, more time was required by them to become familiar with the project progress and certification status and complete the internal approval procedure for all those projects. These projects include: (i) the Tianjin Longyuan Pile Construction Project (天津龍源樁施工項目), which recorded RMB3.0 million of contract assets aged over one year, representing 7.5% of the total contract assets aged over one year as of December 31, 2023; and (ii) Yanguang Power Generation Project (鹽光發電項目), which recorded RMB2.6 million of contract assets aged over one year, representing for 6.5% of the total contract assets aged over one year as of December 31, 2023.

Despite the longer certification process of these customers, throughout the Track Record Period, none of our Group's contract asset debtors which were government authorities or state-owned enterprise had material dispute with our Group with regard to the certification and settlement audit;

- *The certification and settlement audit process for certain types of projects*

  (i) Sizable and large scale projects

  During the Track Record Period, we have been expanding our construction business by capturing the business opportunities arising from substantial investment in infrastructure projects of larger size from Tianjin government and undertaking more large scale projects. The average contract amount for new projects during the Track Record Period has increased from RMB4.5 million in 2021, to RMB12.4 million in 2023. According to Frost & Sullivan, larger projects usually require longer time for certification and settlement audit processes because such projects often involve more detailed inspection by different parties and are often accompanied with frequent variations on the scope of works to be performed. For example, Tianjin Nangang LNG Emergency Reserve Project (天津南港LNG應急儲備項目) with an original contract sum of RMB15.1 million, which was undertaken by our Group in 2021, had an aggregate amount of variation orders of RMB20.1 million. The project duration was around two years due to several adjustments on the overall scope of works to be performed by us, which prolonged the construction schedule. This project recorded contract assets in the amount of RMB7.5 million as of December 31, 2022.

  (ii) Settlement audit would be performed only after completion of the entire project

  During the Track Record Period, our Group was engaged as a subcontractor for certain projects and was only involved in certain part(s) of these projects, such as foundation work, and the settlement audit would be performed only after completion of the entire project. For example, we undertook the Tianjin Longyuan Pile Construction Project (天津龍源樁施工項目) with a contract sum of RMB7.5 million in 2022 as a subcontractor. We completed the construction works for this project in late 2022. We recorded contract assets in the amount of RMB6.1 million for this project as of December 31, 2022. As of December 31, 2023, we were still pending the completion of the settlement audit of this project and recorded RMB3.0 million of contract assets aged over one year. As our Group did not have control over the completion time of other parts in such projects, there were circumstances where significant delay was experienced in the settlement audit process of such projects.

- *Regional outbreak of COVID-19 in the PRC in 2022*

  We believe that the COVID-19 pandemic in the past few years also contributed to the increase and large amount of our contract assets to a certain degree, though the impact thereof was short-term and one-off. According to the Frost & Sullivan Report, the construction industry in the PRC was adversely affected by the COVID-19 pandemic in 2020 and the resurgence of COVID-19 in various provinces across the PRC in 2022. The COVID-19 pandemic had short-term adverse impact on the construction industry in the PRC, including delay in the certification process and the settlement audit processes due to the social isolation measures imposed to prevent the spreading of COVID-19, including lockdowns and travel restrictions, quarantine measures and mandatory temporary suspension of business operations across certain regions. Under the mandatory lockdown measures in Tianjin in late 2022, the certification or settlement audit process of our certain projects experienced delays. For example, we recorded contract assets in the amount of RMB72.6 million for the Tianjiang Apartment Projects (天江公寓項目) as of December 31, 2022. Subsequent to the lifting of the COVID-19 restrictions in the PRC in early 2023, RMB88.2 million of the contract assets for the Tianjiang Apartment Projects (天江公寓項目) as of December 31, 2022 were transferred to our trade and bills receivables due to substantial completion of the certification process for this project for the year ended December 31, 2023.

Our Directors acknowledged the prolonged certification and settlement audit of our certain projects (which had taken more than three years in some extreme cases) and endeavored to shorten the settlement period of the completed projects during the Track Record Period. We have adopted an internal control policy on monitoring the certification and settlement processes of our contract assets, our commercial contract department will designate employees to follow up on the progress of the certification of our works performed and the settlement audit for the completed projects together with the project management team. For details of our contract assets control policy, please refer to "— Description of Selected Items of The Consolidated Statements of Financial Position — Trade and bills receivables — Trade receivables and contract assets control policy" in this section. To the best knowledge of our Directors, there was no material dispute (i.e. legal proceeding or complaint filed by the customers) between us and our contract asset debtors during the Track Record Period, with regards to certification and settlement audit.

Approximately RMB103.7 million, RMB179.3 million and RMB104.3 million, or 81.9%, 83.4% and 47.2% of our contract assets as of December 31, 2021, 2022 and 2023 were subsequently transferred to trade receivables upon billing up to the Latest Practicable Date, respectively, resulting in a net balance of approximately RMB22.9 million, RMB35.7 million and RMB116.9 million, respectively. The net balance of RMB22.9 million as of December 31, 2021 has not yet been transferred to trade receivables up to the Latest Practicable Date mainly due to the prolonged certification process of our certain projects with government authorities or state owned enterprises as customers.

As of the Latest Practicable Date, approximately RMB104.3 million or 47.2% of our contract assets as of December 31, 2023 were subsequently transferred to trade receivables. The progress of our conversion of contract assets to trade and bills receivables was slowed down during the first quarter of 2024 mainly due to the suspension in construction activities during Chinese New Year and some of the responsible personnel and administration staff of our Group and our customers were on holiday during that period, leading to the slow down in the certification progress of our projects in that period. According to Frost & Sullivan, it is an industry norm for construction companies to suspend their projects and operations for around two to four weeks during Chinese New Year period.

Our Directors are of the view that our contract assets as of December 31, 2023 would be recoverable considering that:

— we are able to maintain a relatively healthy aging of contract assets during the Track Record Period. Whilst the total amount of our contract assets increased as we achieved growth in our revenue during the Track Record Period, we were able to convert most contract assets into trade and bills receivables within one year of due date, by facilitating certification, keeping a healthy trend in the overall aging portfolio of our contract assets.

— we have been proactively communicating with the customers of projects with relatively larger contract assets balance, to follow up on the certification and settlement audit progress of our projects. For example, as of the Latest Practicable Date, it is expected that work performed for the Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程), Infrastructure Construction Project of Nandaigang Coastal Industrial Park — South Erjing Road (南大港濱海產業園區基礎設施建設項目 — 二經路南路) and Wannianqiao North Road Upgrade Project (萬年橋北路道路提升工程), with an aggregated contract sum of RMB78.0 million, will be certified and the corresponding amount of contract assets of these projects will be transferred to trade and bills receivables in April 2024. Furthermore, it is expected that the settlement audit of the Wuyi Yangguang Piling Project (五一陽光樁基項目), Hangu East Expansion Project (漢沽東擴區項目) and Infrastructure Project of Huanggang Vocational Education Industrial Park in Binhai New Area (Phase I) (濱海新區黃港職教產業園區基礎設施工程(一期)), with an aggregated contract sum of RMB75.8 million, will be completed by the first half of 2024 and the corresponding amount of contract assets of these projects certified will be transferred to trade and bills receivables;

— we have made sufficient provision for impairment losses for our contract assets as of December 31, 2023 by applying different ECL rates in different age groups and no specific provisions were made as our Directors were not aware of any customers having any specific financial liquidity problems and no material dispute was noted between us and the relevant customers in relation to certification or settlement audit.

— we are able to successfully bill our long aging contract assets. For example, RMB1.6 million of contract assets that were overdue three years as of December 31, 2023 were fully subsequently billed as of the Latest Practicable Date.

Trade and bills receivables

Our trade and bills receivables mainly represent the outstanding balance due from our customers in relation to the services we provided. The following table sets forth details of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables for contract work due from:			
— third parties	92,896	130,214	248,493
Bills receivable	50	50	—
	92,946	130,264	248,493
Less: loss allowance	(2,266)	(6,281)	(15,996)
	90,680	123,983	232,497

The fluctuation of our trade and bills receivables during the Track Record Period

Our trade and bills receivables increased from RMB90.7 million as of December 31, 2021 to RMB124.0 million as of December 31, 2022, primarily due to the substantial billing of the Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目) and Engineering and Social Infrastructure Construction Projects in High-Tech Area (Phase II) (高新區兩類設施建設工程二期), which had not been fully settled as of December 31, 2022. Our trade and bills receivables increased from RMB124.0 million as of December 31, 2022 to RMB232.5 million as of December 31, 2023 mainly due to the completion of the certification process of Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段), Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段) and the substantial completion of the certification process of Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程), which in aggregate amounted to RMB105.4 million of trade and bills receivables.

During the Track Record Period, our trade and bills receivables from government authorities or stated-owned enterprises decreased from RMB67.2 million as of December 31, 2021 to RMB51.8 million as of December 31, 2022, which was mainly attributable to the impact of COVID-19, which led to travel restriction in relevant areas of our projects, resulting in delay in the certification process. Our trade and bills receivables from government authorities or stated-owned enterprises increased from RMB51.8 million as of December 31, 2022 to RMB85.4 million as of December 31, 2023, which was mainly attributable to the substantial completion of certification of Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程) and Tianjin Port Collection and Distribution Foundation Construction Project (天津港集疏運路基工程).

During the Track Record Period, our trade and bills receivables from private enterprises increased from RMB23.5 million as of December 31, 2021 to RMB72.1 million as of December 31, 2022, which was mainly attributable to the substantial completion of certification of Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程). Our trade and bills receivables from private enterprises increased from RMB72.1 million as of December 31, 2022 to RMB147.1 million as of December 31, 2023, which was mainly attributable to the substantial completion of the certification process of Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一段) and Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二段).

The following tables set forth details of our top five trade and bills receivables by project as of each of December 31, 2021, 2022 and 2023:

As of December 31, 2021

Project Name	Customer Name	Customer type	Project description	Trade and bills receivables (gross amount)	ECLs	Trade and bills receivables (net amount)	Aging analysis		Amount of subsequent settlement of trade and bills receivables up to Latest Practicable Date
							Within one year	Over one year	
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Tianjin Nangang Foundation Pre-treatment Project (天津南港地基預處理項目)	Customer E	Government authorities and state-owned enterprise	Earthwork	15,944	(291)	15,653	15,653	—	15,944
Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)	Private enterprises	Road construction	15,316	(281)	15,035	15,035	—	15,316
Hangu East Expansion Project (漢沽東擴區項目)	Customer G	Government authorities and state-owned enterprise	Traffic facilities construction	9,449	(173)	9,276	9,276	—	5,000
Rizhao Station 3# Tank Overhaul Project (日照站3#罐大修項目)	Customer M	Government authorities and state-owned enterprise	Petrochemical engineering works	4,932	(90)	4,842	4,842	—	4,932
Engineering and Social Infrastructure Construction Projects in High-Tech Area (Phase II) (高新區兩類設施建設工程二期)	Customer D	Government authorities and state-owned enterprise	Traffic facilities construction	4,015	(74)	3,941	3,941	—	4,015

As of December 31, 2022

Project Name	Customer Name	Customer type	Project description	Trade and bills receivables (gross amount)	ECLs	Trade and bills receivables (net amount)	Aging analysis		Amount of subsequent settlement of trade and bills receivables up to Latest Practicable Date
							Within one year	Over one year	
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)	Private enterprises	Road construction	38,521	(740)	37,781	37,781	—	38,521
Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程)	Xintai Zhihui	Private enterprises	Building construction related work	23,142	(391)	22,751	22,751	—	11,219
Engineering and Social Infrastructure Construction Projects in High-Tech Area (Phase II) (高新區兩類設施建設工程二期)	Customer D	Government authorities and state-owned enterprise	Traffic facilities construction	5,457	(192)	5,265	1,419	3,846	5,457
Ya'anli Housing Renovation Project (雅安里房屋裝修工程)	Customer J	Government authorities and state-owned enterprise	Building construction related work	5,103	(87)	5,016	5,016	—	1,500
Hangu East Expansion Project (漢沽東擴區項目)	Tianjin Hanbin Investment Group Co., Ltd. (天津市漢濱投資集團有限公司)	Government authorities and state-owned enterprise	Traffic facilities construction	4,449	(150)	4,299	—	4,299	—

As of December 31, 2023

Project Name	Customer Name	Customer type	Project description	Trade and bills receivables (gross amount)	ECLs	Trade and bills receivables (net amount)	Aging analysis		Amount of subsequent settlement of trade and bills receivables up to Latest Practicable Date
							Within one year	Over one year	
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段)	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)	Private enterprises	Road surface works	58,708	(1,418)	57,290	57,290	—	—
Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)	Private enterprises	Road construction	31,723	(1,573)	30,150	23,600	6,550	11,810
Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段)	Tianjin Hezhong Trading Company Limited* (天津市和眾工貿有限公司)	Private enterprises	Road surface works	30,608	(739)	29,869	29,869	—	5,800
Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程)	Xintai Zhihui	Private enterprises	Building construction related work	25,197	(948)	24,249	11,575	12,674	1,413
Tianjin Binhai New Area Pharmaceutical Industrial Park Construction Project Soil Backfilling Project (天津市濱海新區醫藥產業園建設專案土方回填工程)	Customer B	Government authorities and state-owned enterprise	Earthworks	18,700	(452)	18,248	18,248	—	18,700

Aging analysis of our trade and bills receivables

The following is an aging analysis of trade and bills receivables based on the invoice date and net of loss allowance:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	72,486	100,502	187,537
1 to 2 years	8,813	15,575	36,682
2 to 3 years	9,381	5,973	6,139
Over 3 years	—	1,933	2,139
	90,680	123,983	232,497

As of December 31, 2021, 2022 and 2023, the aging analysis of trade and bills receivables, based on due dates and classified by types of debtors, and the amount of subsequent settlement of trade and bills receivables up to the Latest Practicable Date are as follows:

	As of December 31,																	
	2021						2022						2023					
	Government authorities or stated-owned enterprises	Private enterprises	Total	% of total trade and bills receivables	Less: amount subsequently settled up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government authorities or stated-owned enterprises	Private enterprises	Total	% of total trade and bills receivables	Less: amount subsequently settled up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government authorities or stated-owned enterprises	Private enterprises	Total	% of total trade and bills receivables	Less: amount subsequently settled up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*
Within 1 year	54,121	18,365	72,486	79.9	65,231	7,255	31,046	69,456	100,502	81.1	75,209	25,243	63,052	124,485	187,537	80.7	46,318	141,219
1–2 years	6,188	2,625	8,813	9.7	3,649	5,164	14,882	693	15,575	12.6	8,370	7,205	14,458	22,224	36,682	15.8	11,694	24,988
2–3 years	6,895	2,486	9,381	10.4	6,617	2,764	4,220	1,753	5,973	4.8	980	4,993	6,132	7	6,139	2.6	—	6,139
Over 3 years	—	—	—	—	—	—	1,688	245	1,933	1.5	1,933	—	1,744	395	2,139	0.9	400	1,739
	67,204	23,476	90,680	100.0	75,497	15,183	51,836	72,147	123,983	100.0	86,492	37,441	85,386	147,111	232,497	100.0	58,412	174,085

During the Track Record Period, we collected most of our trade and bills receivables within one year, as after we bill our customers, the majority of our trade and bills receivables were generally aged within one year. The amount of trade and bills receivables aged over one year as of December 31, 2021, 2022 and 2023 was RMB18.2 million, RMB23.5 million and RMB45.0 million, representing 20.1%, 18.9% and 19.3% of our total trade and bills receivables. Whilst the total amount of our trade and bills receivables, respectively increased as we achieved growth in our revenue during the Track Record Period, we maintained a stable overall aging portfolio of our trade and bills receivables during the Track Record Period.

Our trade and bills receivables aged over one year increased in terms of amount from RMB18.2 million as of December 31, 2021 to RMB23.5 million as of December 31, 2022, but remained stable in terms of its ratio to the total trade and bills receivables for the year at 20.1% and 18.9%, respectively, mainly due to the delay of the construction schedule of the Engineering and Social Infrastructure Construction Projects in High-Tech Area Traffic (Phase II) (高新區兩類設施建設二期項目) attributable to adjustment on the design of the project, resulting in a prolonged settlement of an amount of RMB5.3 million, among which, RMB3.8 million was aged over one year of this project.

Despite our trade and bills receivables aged over one year remained stable in terms of its ratio to the total trade and bills receivables at 19.3% as of December 31, 2023 as compared to that of 2021 and 2022, the amount of trade and bills receivables aged over one year increased to RMB45.0 million, as of December 31, 2023 mainly due to the long processing time for the settlement of the balance of the Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目) and Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程), which were large scale projects that generally have longer payment settlement periods. The trade and bills receivables of these projects amounted to RMB54.4 million, among which, RMB19.2 million were aged over one year as of December 31, 2023 and RMB13.2 million were subsequently settled as of the Latest Practicable Date. During the Track Record Period, we have been receiving payment from the customers of these two projects from time to time. As of the Latest Practicable Date, we have received payment of RMB11.8 million and RMB1.4 million for Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目) and Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程), respectively.

The amount of trade and bills receivables aged over two years increased from RMB7.9 million as of December 31, 2022 to RMB8.3 million as of December 31, 2023 while its ratio to the trade and bills receivables decreased from 6.3% as of December 31, 2022 to 3.6% as of December 31, 2023.

Analysis of trade and bills receivables turnover days

The following table sets forth our average trade and bills receivables turnover days as of the dates indicated:

	As of December 31,		
	2021	2022	2023
Average trade and bills receivables turnover days(1)	83.3	141.5	216.4

Note:

(1) Average trade and bills receivables turnover days is equal to the average of the opening and closing balances of gross trade and bills receivables of the relevant period divided by revenue of the relevant period and multiplied by 365 days for each of the years ended December 31, 2021, 2022 and 2023.

As of December 31, 2021, 2022 and 2023, our average trade and bills receivables turnover days were 83.3 days, 141.5 days and 216.4 days, respectively. Our average trade and bills receivables turnover days increased from 83.3 days in 2021 to 141.5 days in 2022, which was mainly due to our undertaking of more large scale construction projects during the year and the relatively long aging of trade and bills receivables from our large scale projects including Hengsheng Flood Control Bulk Yard Project (恆盛防汛散貨堆場項目). In accordance with our accounting policies in relation to ECL, provisions were made on trade and bills receivables and contract assets of all our projects. Our average trade and bills receivables turnover days increased from 141.5 days as of December 31, 2022 to 216.4 days as of December 31, 2023 due to the completion of the substantial certification process of the Tianjiang Apartment Projects (天江公寓項目), Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段) and Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二標段) for the year ended December 31, 2023, while the corresponding balances were not yet settled as of December 31, 2023. According to Frost & Sullivan, the turnover days of trade receivables for large scale construction projects in the PRC is generally longer, as a substantial portion of progress payment is generally settled at the later stage of the project.

According to the Frost & Sullivan Report, the long turnover days of trade and bills receivables is common in the construction industry in the PRC, especially for some government authorities or state-owned enterprises customers and large scale projects. The average of our Group's turnover days for trade and bills receivables for the years ended December 31, 2021, 2022 and 2023 was 147.1 days, which was within the range of that of our industry peers (being 93.5 days to 190.9 days). The trade and bills receivables turnover days of our industry peers for the year ended December 3l, 2023 were annualized figures calculated based on the six months ended June 30, 2023 financials of such industry peers.

Taking the above into account, the Directors are of the view that our trade and bills receivables turnover days is in line with our business development and the industry norm.

Reasons for fluctuation in trade and bills receivables during the Track Record Period

During the Track Record Period, our Group experienced continued increase in the amount of trade and bills receivables aged both within and over one year, primarily due to the following reasons:

- *For our government authorities or state-owned enterprises customers*

  During the Track Record Period, a significant portion of our customers were government authorities or state-owned enterprises, the revenue derived from government authorities or state-owned enterprises amounted to RMB175.4 million, RMB176.5 million and RMB180.6 million, respectively and they accounted for a high portion of our long aging trade and bills receivables. As of December 31, 2021, 2022 and 2023, our trade and bills receivables aged over one year attributable to government authorities or state-owned enterprises were RMB13.1 million, RMB20.8 million and RMB22.3 million, respectively, representing 72.0%, 88.5% and 32.6% of our total trade and bills receivables aged over one year, respectively.

  Our trade and bills receivables aged over one year attributable to government authorities or state-owned enterprises temporarily accounted for less significant proportion of our total trade and bills receivables aged over one year as of December 31, 2023, primarily because Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目) and Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程), which the customers of these projects were private enterprises, contributed to RMB19.2 million of our trade and bills receivables aged over one year, representing 42.7% of our total trade and bills receivables aged over one year. Among such RMB19.2 million, RMB8.3 million were subsequently settled on the Latest Practicable Date. During the Track Record Period, we have been receiving payment from the customers of these two projects from time to time. As of the Latest Practicable Date, we have received payment of RMB11.8 million and RMB1.4 million for Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目) and Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程), respectively.

  (i) Settlement procedures involving multiple levels of approval

  According to Frost & Sullivan, it is an industry norm for companies in the construction industry to have a relatively high proportion of trade and bills receivables that remains unsettled and aged over one year. In particular, for projects with government authorities or state-owned enterprises as customers or ultimate project owners, the industry range for settlement period of trade and bills receivables can range from three months to two years depending on the scale of the project because this type of customers generally have complicated internal settlement procedures, including but not limited to approvals by various levels of management and leadership of such entities, and therefore require more time to settle their trade and bills payables.

(ii) Working capital management of our customers

According to Frost & Sullivan, customers that are government authorities or state-owned enterprises usually have more rigid working capital management policies, leading to prolonged settlement of trade and bills receivables. Despite usually bigger in size and have a higher capital base, such customers may impose stringent internal treasury controls to safeguard their financial position and liquidity situation. They usually will be more cautious in the settlement of trade receivables with us.

- *For projects that our Group was engaged as a subcontractor*

During the Track Record Period, our Group was engaged as a subcontractor for some projects and our customers, which are the main contractors of the project, normally would only arrange to settle our bills after they have received payment from their customers to preserve their working capital. As our Group did not have control over the payment schedule of the customers of the main contractors in those projects, there were circumstances where significant delay was experienced in the settlement of our bills of these projects. For example, we were engaged as a subcontractor to procure electrical and mechanical equipment in the Tianjin Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程) in 2022. The trade and bills receivable aged over one year for this project amounted to RMB12.7 million as of December 31, 2023. During the Track Record Period, we have been receiving payment from the customer of this project from time to time and have received payment of RMB12.6 million as of the Latest Practicable Date.

Comparison of our trade and bills receivables with our industry peers

According to the Frost & Sullivan Report, in comparison of our aging position with our industry peers, the average of our Group's ratios of trade and bills receivables aged more than one year to the total trade and bills receivables as of December 31, 2021, 2022 and 2023 of 19.4% was lower than that of our industry peers (being 26.1% to 36.8% according to the Frost & Sullivan Report). The ratios of trade and bills receivables aged over one year to the total trade and bills receivables of our industry peers as of December 3l, 2023 were annualized figures calculated based on the June 30, 2023 financial of such industry peers.

The following tables set forth details of our top five trade and bills receivables that were past due over one year by project as of each of December 31, 2021, 2022 and 2023:

As of December 31, 2021

Project name	Customer	Customer type	Group's role	Project commencement date	Expected/actual project completion date	Revenue recognition in accordance with IFRS 15								Aging analysis		
						Original contract sum (A)[1]	Accumulated amount of variation orders/adjustments (B)[1][2]	Percentage of completion of the project (C)[3]	Accumulated value of work performed (i.e. revenue recognized) ((D)=(A+B)×C)[1][3]	Revenue recognized for the year ended December 31, 2021[1]	Trade receivables (gross amount)	ECL Loss Allowance	Trade receivables (net amount)	Amount of trade receivables not overdue and aged within one year	Trade receivables that were past due over one year	Amount of subsequent settlement up to the Latest Practicable Date
						RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Binhai New Area New Small Town Phase II Road and Auxiliary Facilities Construction Project (Haihe South Road) (濱海新區小城鎮二期道路及附屬設施工程(海河南路))	Customer C	Government authorities and state-owned enterprises	Subcontractor	January 2017	July 2021	12,048	2,004	100	14,052	260	3,486	154	3,332	–	3,332	–
Tianjin Binhai New Area Public Security Bureau Traffic Management Branch Technology Facilities Construction Electronic Police Project (天津市濱海新區公安局交通管理分局交通管理科技設施建設路口電子警察項目)	Zhongxing Intelligent System Technology Co., Ltd.* (中星智能系統技術有限公司)	Private enterprises	Main contractor	April 2019	September 2020	5,321	(732)	100	4,589	–	2,100	117	1,983	–	1,983	1,967
Tianjin Port Container Logistics Center Project (天津港集裝箱物流中心項目)	Customer A	Government authorities and state-owned enterprises	Subcontractor	September 2019	December 2020	16,392	–	100	16,392	–	3,755	102	3,653	2,147	1,506	3,732
Traffic Management Technology and Safety Facilities Maintenance, Management and Service Projects (交通管理科技及安全設施養管運維服務項目)	Customer R	Private enterprises	Main contractor	July 2019	July 2020	1,741	(199)	100	1,542	–	1,449	66	1,383	–	1,383	–
Binhai New Area Small Town Phase I Road and Auxiliary Facilities Construction Project (Cigan Road One) (濱海新區小城鎮一期道路及附屬設施工程(次干路一))	Customer X	Government authorities and state-owned enterprises	Subcontractor	April 2017	December 2019	11,154	–	100	11,154	–	1,170	65	1,105	–	1,105	–

As of December 31, 2022

Project name	Customer	Customer type	Group's role	Project commencement date	Expected/actual project completion date	Revenue recognition in accordance with IFRS 15								Aging analysis		
						Original contract sum (A)[1]	Accumulated amount of variation orders/adjustments (B)[1][2]	Percentage of completion of the project (C)[3]	Accumulated value of work performed (i.e. revenue recognized) ((D)=(A+B) × C)[1][3]	Revenue recognized for the year ended December 31, 2022[1]	Trade receivables (gross amount)	ECL Loss Allowance	Trade receivables (net amount)	Amount of trade receivables not overdue and aged within one year	Trade receivables that were past due over one year	Amount of subsequent settlement up to the Latest Practicable Date
						RMB'000	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hangu East Expansion Project (漢沽東擴區項目)	Customer G	Government authorities and state-owned enterprises	Main contractor	June 2021	December 2021	18,728	–	100	18,728	–	4,449	150	4,299	–	4,299	–
Engineering and Social Infrastructure Construction Projects in High-Tech Area (Phase II) (高新區兩類設施建設工程二期)	Customer D	Government authorities and state-owned enterprises	Subcontractor	June 2021	December 2023	30,244	–	44	13,158	1,324	5,457	192	5,265	1,419	3,846	5,457
Binhai New Area New Small Town Phase II Road and Auxiliary Facilities Construction Project (Haihe South Road) (濱海新區小城鎮二期道路及附屬設施工程(海河南路))	Customer C	Government authorities and state-owned enterprises	Subcontractor	January 2017	July 2021	12,048	2,004	100	14,052	–	3,486	835	2,651	–	2,651	–
Huaidong Road Traffic Facilities Project (淮東路交通設施工程)	Tianjin Urban Road Pipeline Network Supporting Construction Investment Company Limited (天津城市道路管網配套建設投資有限公司)	Government authorities and state-owned enterprises	Main contractor	July 2020	September 2021	2,994	250	100	3,244	–	1,477	81	1,396	–	1,396	300
Tianjin Subway, Line 11 Earthworks Project (天津地鐵11號線土石工程項目)	Customer K	Government authorities and state-owned enterprises	Subcontractor	March 2020	December 2023	14,591	–	76	11,030	182	2,446	75	2,371	1,109	1,262	2,446

As of December 31, 2023

						Revenue recognition in accordance with IFRS 15								Aging analysis		
Project name	Customer	Customer type	Group's role	Project commencement date	Expected/actual project completion date	Original contract sum (A)$^{(1)}$	Accumulated amount of variation orders/adjustments (B)$^{(1)(2)}$	Percentage of completion of the project (C)$^{(3)}$	Accumulated value of work performed (i.e. revenue recognized) ((D)=(A+B)×C)$^{(1)(3)}$	Revenue recognized for the year ended December 31, 2023$^{(1)}$	Trade receivables (gross amount)	ECL Loss Allowance	Trade receivables (net amount)	Amount of trade receivables not overdue and aged within one year	Trade receivables that were past due over one year	Amount of subsequent settlement up to the Latest Practicable Date
						RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程)	Xintai Zhihui	Private enterprises	Subcontractor	September 2022	December 2023	26,846	4,130	100	30,976	6,072	25,197	948	24,249	11,575	12,674	1,413
Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場工程)	Tianjin Hengsheng Municipal Engineering Company Limited* (天津市恒盛市政工程有限公司)	Private enterprises	Main contractor	May 2021	November 2022	90,985	–	100	90,985	–	31,723	1,573	30,150	23,600	6,550	11,810
Ya'anli Housing Renovation Project (雅安里房屋裝修工程)	Customer J	Government authorities and state-owned enterprises	Main contractor	May 2022	September 2022	14,760	(301)	100	14,459	(301)	4,802	238	4,564	–	4,564	1,500
Hangu East Expansion Project (漢沽東擴區項目)	Customer G	Government authorities and state-owned enterprises	Main contractor	June 2021	December 2021	18,728	–	100	18,728	–	4,449	336	4,113	–	4,113	–
Nangang Industrial District Traffic Facilities Construction Project (南港工業區交通設施工程)	Customer L	Government authorities and state-owned enterprises	Main contractor	April 2021	December 2021	10,277	2,023	100	12,300	–	3,342	166	3,176	–	3,176	–

Notes:

1. The amounts do not include any VAT.

2. The amount of variation orders represent the adjustment or additional amounts to the original contract sum as may be agreed between the parties to the original contract from time to time, and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contracts.

3. Revenue from construction contract is recognized according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred as a proportion to the total budgeted costs.

As of December 31, 2021, 2022 and 2023, our provisions for the impairment of trade receivables were RMB2.3 million, RMB6.3 million and RMB16.0 million, respectively, representing 2.4%, 4.8% and 6.9% of the aggregate amount of our trade and bills receivables, respectively.

As of the Latest Practicable Date, approximately RMB58.4 million or 25.1% of our trade and bills receivables, net of loss allowances as of December 31, 2023 were subsequently settled by our customers. For details of our Group's ECL provision, please refer to "— Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — (Reversal of impairment losses)/impairment losses on trade receivables, lease receivables and other receivables and contract assets" in this section.

Combined analysis of contract assets and trade and bills receivables

The following table sets forth the number of turnover days during the Track Record Period based on the aggregate amount of our contract assets and trade and bills receivables:

	As of December 31,		
	2021	2022	2023
Average contract assets and trade and bills receivables turnover days(1)	200.7	363.8	477.1

Note:

(1) Average contract assets and trade and bills receivables turnover days is equal to the average of the aggregate amount of opening and closing balances of gross contract assets and trade and bills receivables of the relevant period divided by revenue of the relevant period and multiplied by 365 days for each of the years ended December 31, 2021, 2022 and 2023.

Our average turnover days based on the aggregate amount of contract assets and trade and bills receivables were approximately 200.7 days, 363.8 days and 477.1 days as of December 31, 2021, 2022 and 2023, respectively.

The increase in turnover days for contract assets and trade and bills receivables from 200.7 days as of December 31, 2021 to 477.1 days as of December 31, 2023 was primarily due to a majority of our customers were government authorities or state-owned enterprises and our undertaking of more large scale projects, where the aging of those contract assets and trade and bills receivables are relatively long as elaborated in the paragraphs headed "Contract assets" and "Trade and bills receivables" under the section headed "Financial Information — Description of selected items of the consolidated statements of financial position" of this document. According to the Frost & Sullivan Report, the long turnover days of contract assets and trade and bills receivables is not uncommon in the construction industry in the PRC, especially for some government authorities or state-owned enterprises customers and large scale projects.

In particular, our average contract assets and trade and bills receivables turnover days increased from 200.7 days as of December 31, 2021 to 363.8 days as of December 31, 2022 was mainly due to (i) our substantial completion of certain large scale projects, including Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目) and Tianjiang Apartment Projects (天江公寓項目) (which consists of 11 projects in building construction with a contract sum of RMB137.3 million in total); and (ii) the delay of certification process of certain projects as a result of the resurgence of COVID-19 in 2022. Our average contract assets and trade and bills receivables turnover days increased from 363.8 days as of December 31, 2022 to 477.1 days as of December 31, 2023 was due to the substantial completion of our construction works, including Tianjin Wangzi East Project (Phase I) (天津市汪子東項目一標段) and Tianjin Wangzi East Project (Phase II) (天津市汪子東項目二段), and the completion of the settlement audit of Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目), and the completion of substantial certification process of the Tianjiang Apartment Projects (天江公寓項目) for the year ended December 31, 2023, while the corresponding balances were not yet settled as of December 31, 2023.

Recoverability of our Group's contract assets and trade and bills receivables

- ***Majority of our contract assets were not overdue or were aged within one year***

During the Track Record Period, the majority of our contract assets were not overdue or were aged within one year, which accounted for 90.6%, 90.7% and 81.7% of our total contract assets as of December 31, 2021, 2022 and 2023. Similarly, most of the trade and bills receivables of our Group were aged within one year, which accounted for 79.9%, 81.1%, 80.7% of our total trade and bills receivables as of December 31, 2021, 2022 and 2023. During the Track Record Period, our Group has managed to control the aging of its contract assets and trade and bills receivables such that there was a general improvement in the aging of its contract assets and trade and bills receivables in terms of the percentage of contract assets aged over one year to total contract assets and the percentage of trade and bills receivables aged over one year to total trade and bills receivables.

- ***Majority of our contract assets and trade and bills receivables aged over one year were attributable to customers that are government authorities or state-owned enterprises***

During the Track Record Period, a substantial portion of our contract assets and trade and bills receivables aged over one year were attributable to customers that are government authorities or state-owned enterprises, representing 90.6%, 97.9% and 68.1% of our total contract assets aged over one year, respectively and 71.9%, 88.5% and 49.7% of our total trade and bills receivables aged over one year, respectively. Our trade and bills receivables aged over one year attributable to government authorities or state-owned enterprises temporarily accounted for less significant proportion of our total trade an bills receivables aged over one year for the year ended December 31, 2023, primarily because Hengsheng Flood Control Bulk Yard Project (恒盛防汛散貨堆場項目) and Tianjiang Apartment Xintai Mechanical and Electrical Material Procurement — Yu Jia Cheng (天江公寓鑫泰機電材料採購 — 裕嘉程) contributed to RMB19.2 million of our trade and bills receivables aged over one year, representing 42.8% of our total trade and bills receivables aged over one year. Among such RMB19.2 million, RMB8.3 million were subsequently settled as the Latest

Practicable Date. According to Frost & Sullivan, government-related entity customers in general have sound creditability, and thus a lower risk of default. It is also an industry norm for government authorities or state-owned enterprises to have longer aging in contract assets and trade and bills receivables, as these entities usually have prolonged internal approval procedure and often result in delay in the certification and billing process.

- ***Adoption of effective internal control policies***

Our Group has adopted internal control policies on monitoring the certification and settlement procedures of its contract assets and the settlement of its trade and bills receivables. Our Group has designated employees to follow up on the progress of the certification of our works performed and the settlement audit for the completed projects. Our Group has also formulated designated working groups to closely communicate with its customers and remind them of any overdue or upcoming outstanding sums. For the debts that may not be recovered, the finance department shall put forward the bad debt treatment requests for its management's approval. In case of long outstanding contract assets and trade and bills receivables that our Group has followed up with for a long period of time but with no avail, the management of our Group, after due consideration, may choose to proceed with legal action to recover the debt or request the customer to complete certification or settlement. For further details of our internal control policies, please refer to the paragraph headed "Trade receivables and contract assets control policy" in this section below.

- ***Establishment of stable business relationships with major customers***

During the Track Record Period, our Group has established stable business relationships with a number of customers which contributed to the top five contract assets or trade and bills receivables by projects aged over one year. Some of these customers had more than one project with us during the Track Record Period and they contributed to our revenue throughout the Track Record Period. Despite these customers had prolonged certification and settlement processes in certain projects, our Group was able to make progress billing and/or receive progress payment from these customers in other projects during the Track Record Period.

- ***We were able to receive settlement for some long aging trade and bills receivables***

Subsequent to the Track Record Period and up to the Latest Practicable Date, we received settlement of trade and bills receivables for three of our projects with aging over 2 years in the aggregate amount of RMB0.4 million.

- ***No material dispute was noted between us and relevant customers in relation to payment settlement, or between us and our contract asset debtors in relation to progress certification or settlement audit***

- ***The average of our Group's contract assets and trade and bills receivables turnover days for the years ended December 31, 2021, 2022 and 2023 (being 347.2 days) was lower than that of our industry peers (being 358.5 days to 390.5 days) according to Frost & Sullivan. The average of contract assets and trade and bills receivables turnover days of our industry peers as of December 3l, 2023 were annualized figures calculated based on the June 30, 2023 financial of such industry peers***

- ***To the best of our Directors' knowledge, our Directors were not aware of any customers with contract assets or trade receivables aging over one year having any specific financial liquidity problems***

In light of the above, despite our Group has a significant amount of contract assets and trade and bills receivables as of December 31, 2022 and December 31, 2023, our Directors are of the view that it is in line with the industry norm and the Group does not and did not have any specific recoverability issues. Our Directors are of the view that the ECL provision made against our contract assets and trade and bills receivables was reasonable and sufficient. For details of our Group's ECL provision, please refer to "— Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — (Reversal of impairment losses)/impairment losses on trade receivables, lease receivables and other receivables and contract assets" in this section.

Trade receivables and contract assets control policy

We have established effective internal control measures to ensure that (i) the total cost of each construction project is estimated accurately; and (ii) the revenue of each construction project is recognized in the same year as those relevant costs incurred to avoid timing differences between the recognition of revenue and costs. The estimated total costs of each construction project are prepared by the procurement department and commercial contract department collectively after taking into account (i) the estimated amount of workforce, equipment and raw materials required; (ii) the quotations provided by the relevant suppliers and subcontractors; and (iii) our prior experience in similar projects. On the other hand, we regularly monitor and review the amount and time of actual costs incurred during the project period of each construction project to ensure the cost incurred is recognized in the corresponding financial year.

We have formulated a number of internal control policies, which stipulate regular review of the aging of trade receivables and contract assets and relevant follow-up procedures. We have designated a working group responsible for reminding customers of overdue or upcoming contract assets and collection of outstanding sum with an aim to clear debts. The working group comprises the general manager, the financial manager, the project department, and the responsible personnel of the commercial contract department of our Group.

Our Group monitors the aging of our contract assets and trade receivables on a monthly basis. The project management team under our engineering management department follows up and discusses with our customers the billing of contract assets and collection of trade receivables through telephone and emails, identifies projects with the long outstanding contract assets and trade receivables and assesses the recoverability of outstanding sum for each project individually.

In particular, the key measures that our Group will take in relation to the long outstanding sum from customers are summarized as follows:

- the designated person shall formulate a follow-up plan on the certification process, collection of trade receivables and closely communicate with the customer; and

- for outstanding amounts that aged significantly longer than expected, subject to the discussion among the general manager and the responsible personnel of the finance department and the engineering management department, we may suspend or slow down the project construction to promote the customers to speed up the certification and settlement process.

The project accountants are required to provide the commercial contract department with trade receivables report on a monthly basis, which lists out details of the contract assets and trade receivables. The responsible person for settlement in the commercial contract department shall generate a monthly debt settlement summary after communicating with each responsible person for debt collection. For the debts that may not be recovered, the finance department shall put forward the bad debt treatment requests for our management's approval.

In case of long outstanding contract assets and trades and bills receivables that we have followed up with for a long period of time but with no avail, the management, after due consideration, may choose to proceed with legal action to recover the debt or request the customer to complete certification or settlement.

Lease receivables

During the Track Record Period, we leased a portion of our properties to the Independent Third Parties. The following table sets forth our lease receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total minimum lease payments	15,308	15,308	12,958
Less: Amounts representing finance charges	(6,109)	(5,490)	(5,099)
	9,199	9,818	7,859
Less: loss allowance	(47)	(81)	(15)
	9,152	9,737	7,844
Less: Current portion	(2,335)	(3,135)	(1,473)
	6,817	6,602	6,371

Our lease receivables derived from our finance lease with a fixed term from 2020 to 2040. The effective interest rates on our finance lease receivables were 7.3%.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly consist of advances to third parties, advances to staff, advances to a related party and deposits for bidding and performance of construction contracts. The following table sets forth details of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Advances to third parties	8,184	8,184	—
Advances to staff	356	1,064	584
Advances to a related party(1)	9,011	—	—
VAT recoverable	1,299	155	356
Prepayments for purchase of inventories and services	700	1,796	1,093
Deposits for bidding and performance of construction contracts	1,277	1,571	996
Prepayments for costs incurred in connection with the proposed [REDACTED] of the Company's [REDACTED](2)	[REDACTED]	[REDACTED]	[REDACTED]
Others	395	107	378
	[REDACTED]	[REDACTED]	[REDACTED]
Less: loss allowance	(362)	(2,957)	(289)
	[REDACTED]	[REDACTED]	[REDACTED]

All of the prepayments, deposits, and other receivables are expected to be recovered, recognized as expenses or transferred to equity within one year.

Notes:

(1) The related party, namely Jiangshengyuan, is a company controlled by Mr. Wang's cousins.

(2) The balance as of December 31, 2023 will be transferred to the capital reserve account within equity upon [REDACTED].

Advances to third parties were of non-trade nature and mainly represented advances we made to (i) our customers and suppliers; and (ii) Mr. Wang's acquaintances for short-term funding. As of December 31, 2021, 2022 and 2023, the advances to third parties amounted to RMB8.2 million, RMB8.2 million and nil, respectively, among which, RMB7.9 million, RMB7.9 million and nil were made to our customers and suppliers, representing 96.3%, 96.3% and nil of the advances to third parties, respectively; while the remainings were made to Mr. Wang's acquaintances.

Such advances were unsecured, non-interest bearing, and repayable on demand. During the Track Record Period, the balances of such advances gradually decreased and were settled as of December 31, 2023. Saved as disclosed, we have no other past and present relationships with such third parties. The Directors are of the view that there will be no adverse impact on our Group's customer retention/supplier sourcing after our Group has ceased to provide advances to them because (i) the provision of advances to them was not a requirement or prerequisite to establish business relationships or dealings, and is irrelevant to our Group's selection criteria for projects or suppliers, and we believe the tender selection criteria of our customers did not take into account our provision of advances to them; (ii) the advances to such customers and suppliers were a corresponding and reciprocal gesture given that those relevant parties too, have provided advances to us; (iii) according to Frost & Sullivan, it was not uncommon for such advances arrangements in the construction industry; and (iv) we did not terminate our business with such customers and suppliers after the settlement of the balances of the advances.

The table below sets forth a breakdown of the advances to third parties during the Track Record Period:

	Balance as of January 1, 2021	*Payment*	*Collection*	Balance as of December 31, 2021	*Payment*	*Collection*	Balance as of December 31, 2022	*Payment*	*Collection*	Balance as of December 31, 2023
					(RMB'000)					
Business related										
Customer S[(1)]	—	—	—	—	*40,000*	*(40,000)*	—	—	—	—
Non-business related										
Type 1: Customers										
Customer T[(2)]	5,786	*1,065*	—	6,851	—	—	6,851	—	*(6,851)*	—
	5,786			6,851			6,851			—
Type 2: Suppliers										
Tianjin Mingsheng Trading Co., Ltd.[(3)] (天津鳴晟商貿有限公司)	748	*315*	—	1,063	—	—	1,063	—	*(1,063)*	—
Supplier G[(4)]	—	*220*	*(220)*	—	—	—	—	—	—	—
	748			1,063			1,063			—
Type 3: Mr. Wang's acquaintances										
Company A[(5)]	1,000	—	*(1,000)*	—	—	—	—	—	—	—
Company B[(6)]	270	—	—	270	—	—	270	—	*(270)*	—
Company C[(7)]	66	—	*(66)*	—	—	—	—	—	—	—
Company E[(8)]	—	*10*	*(10)*	—	—	—	—	—	—	—
	1,336			270			270			—
Total	7,870	*1,610*	*(1,296)*	8,184	*40,000*	*(40,000)*	8,184	—	*(8,184)*	—

Notes:

(1) Customer S is the project owner of Tianjiang Apartment Projects, in which we acted as a subcontractor. It is principally engaged in the development and operation of real estate, urban renewal, construction, investment and operation of infrastructure and affordable housing. The advance represented a one-off earnest payment as requested by Customer S for the demonstration of our financial capacity for undertaking the Tianjiang Apartment Projects in August 2022. Such balance was subsequently returned to us through two installments in August and October 2022, respectively.

(2) Customer T is one of our tenants leasing our office property, in which Mr. Wang was interested as to 10% in the relevant time. It is a private enterprise established in the PRC with limited liability and a registered capital of RMB50 million, principally engaged in the organization and planning of sports competitions, mainly including organizing carrier pigeon competitions, research and development of carrier pigeon competitions related software and hardware, and breeding of carrier pigeons, as well as trading of construction materials, recycling of scrap materials and has participated in certain demolition projects in recent years. In 2021, we sold the demolition right of a petroleum refining station in Gansu Province to Customer T. As confirmed by our Directors, our Group did not provide any financing to Customer T to fund the acquisition of the demolition right of the petroleum refining station from us. For details, please refer to the section headed "Financial Information — other net income" in the document. Most advances were made prior to the Track Record Period with RMB1.1 million of advances made in the year ended December 31, 2021. Such amount were short-term financings mainly for organizing carrier pigeon competitions. The balance of RMB6.9 million was repaid in the year ended December 31, 2023. Saved as disclosed, there is no other past or present relationship, transaction or arrangement (family, employment, shareholding, trust, financing, sharing of personnel, premises or other resources, or otherwise) between Customer T and our Company and its subsidiaries, including their directors, shareholders or senior management, and their respective associates.

(3) Tianjin Mingsheng Trading Co., Ltd. (天津鳴晟商貿有限公司) is principally engaged in the sales of building materials including sand and stone materials and labor services. It is a supplier of our construction projects during the Track Record Period. The advances were for short-term financing needs. Most of the advances of RMB0.8 million was made prior to the Track Record Period, and RMB0.3 million were made in the years ended December 31, 2021. The balance of RMB1.1 million was repaid in the year ended December 31, 2023.

(4) Supplier G is principally engaged in sales of building materials, machinery and equipment and electronic products. It is a supplier of our construction projects during the Track Record Period. The one-off advance was mainly for short-term financing.

(5) Company A is principally engaged in organizing and participating in carrier pigeon competitions, carrier pigeon breeding and relevant training and exchange activities. Mr. Wang was acquainted to the controlling shareholder of Company A. The one-off advance was made prior to the Track Record Period for short-term financing needs and was repaid in the year ended December 31, 2021.

(6) Company B is principally engaged in organizing and participating in carrier pigeon competitions, carrier pigeon breeding and relevant training and exchange activities. Mr. Wang was acquainted to the controlling shareholder of Company B. The advances were made prior to the Track Record Period mainly for short-term operation needs and was repaid in the year ended December 31, 2023.

(7) Company C is principally engaged in engineering construction activities, labor subcontracting and road freight transportation. Mr. Wang was acquainted to the controlling shareholder of Company C. The advances were made for short-term financing needs and was repaid in the year ended December 31, 2021.

(8) Company E is principally engaged in the development, consulting, services, transfer of computer software and computer network technology. Mr. Wang was acquainted to the controlling shareholder of Company E. The one-off advance was for short-term financing needs.

Advances to staff mainly represented the advances made to our staff for the purpose of conducting our business activities such as payment for tax and sundry expenses. The advances to staff increased from RMB0.4 million as of December 31, 2021 to RMB1.1 million as of December 31, 2022 due to the increase in our business operation in 2022 which entailed more prepayments to staff for their settlement of expenses for our operation activities. The advances to staff decreased from RMB1.1 million as of December 31, 2022 to RMB0.6 million as of December 31, 2023 mainly due to the stricter policy adopted to monitor and control the prepayments to our staff.

Advances to a related party were of non-trade nature and mainly represented advances we made to Jiangshengyuan, a company controlled by Mr. Wang's cousins, for short-term funding. During the Track Record Period, Jiangshengyuan was our customer for two of our construction projects, which contributed RMB2.0 million, nil and nil of our revenue for the years ended December 31, 2021, 2022 and 2023, respectively. Jiangshengyuan was also our previous Shareholder prior to the Track Record Period. For details, please refer to the section headed "History, Reorganization and Corporate Structure — Our Group Companies — Transfer of Equity interest with Jiangshengyuan and Tianjin Yicheng" in this document. Advances to a related party amounted to RMB9.0 million, nil and nil during the Track Record Period, respectively. Advances of RMB0.2 million and RMB11.6 million was made prior to the Track Record Period and in the year ended December 31, 2021, respectively, for short-term financings. Advances of RMB2.8 million was repaid in the year ended December 31, 2021, while all of the remaining balance of RMB9.0 million was repaid in the year ended December 31, 2022. Such advances were unsecured, non-interest bearing and repayable on demand and has been settled as of December 31, 2022 and had not been incurred since then and up to the Latest Practicable Date.

As of the Latest Practicable Date, we have ceased to make any such non-trade nature advances to third parties, and implemented enhanced internal control measures since May 2023 to ensure any lending and short-term financing activities will be reviewed and approved by the Board before execution.

Trade and bills payables

Our trade and bills payables mainly represent payables to our suppliers and subcontractors. The following table sets forth our trade and bills payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables — due to third parties	140,811	231,469	275,784

Our trade and bills payables increased from RMB140.8 million as of December 31, 2021 to RMB231.5 million as of December 31, 2022, primarily due to the increase in billings by our suppliers and subcontractors mainly for Tianjiang Apartment Projects (天江公寓項目) which were substantially completed in late 2022. Our trade and bills payables increased from RMB231.5 million as of December 31, 2022 to RMB275.8 million as of December 31, 2023, which was in line with the increase of cost of sales in 2023.

The following table sets forth our average trade and bills payables turnover days as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
Average trade and bills payables turnover days[(1)]	172.9	315.5	387.1

Note:

(1) Average trade and bills payables turnover days is equal to the average of the opening and closing balances of gross trade and bills payables of the relevant period divided by cost of sales of the relevant period and multiplied by 365 days for each of the years ended December 31, 2021, 2022 and 2023.

As of December 31, 2021, 2022 and 2023, our average trade and bills payables turnover days were 172.9 days, 315.5 days and 387.1 days, respectively. Our average trade and bills payables turnover days increased from 172.9 days in 2021 to 315.5 days in 2022 and further increased to 387.1 days as of December 31, 2023, which was mainly due to substantial amount of billing by our suppliers and subcontractors attributable to the substantial completion of certain large scale projects in late 2023. We managed the settlement of trade and bills payables in accordance with our recovery of trade and bills receivables to manage cash flow by negotiating with our suppliers and subcontractors for extension of payment dates prior to receipt of payments from our customers of the relevant projects. According to Frost & Sullivan, such practice is customary in the construction industry in the PRC).

The following table sets forth an aging analysis of trade and bills payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	129,228	178,927	182,260
1 to 3 years	11,583	51,644	88,171
Over 3 years	—	898	5,353
	140,811	231,469	275,784

During the Track Record Period, a majority of our trade and bills payables had been outstanding within one year.

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

As of the Latest Practicable Date, RMB68.7 million, or 24.9%, of our trade and bills payables as of December 31, 2023 were settled.

Accrued expenses and other payables

Our accrued expenses and other payables mainly comprise amounts due to related parties, amounts due to third parties, payables for cost incurred in connection with the proposed [REDACTED] of the Company's [REDACTED], payables for staff related costs, others, financial liabilities measured at amortized cost and other payables. The following table sets forth the components of our accrued expenses and other payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties[1]	17,563	17,452	—
Amounts due to third parties	6,056	5,396	—
Payables for cost incurred in connection with the proposed [REDACTED] of the Company's [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payables for staff related costs	3,501	3,809	4,824
Others	3,854	2,220	1,383
Financial liabilities measured at amortized cost	30,974	28,877	12,407
Other tax payables	5,077	8,582	15,390
	36,051	37,459	27,797

Note:

(1) The related parties comprised Mr. Wang and a company controlled by his cousins, namely Jiangshengyuan.

Our accrued expenses and other payables remained stable at RMB36.0 million as of December 31, 2021 and RMB37.5 million as of December 31, 2022. Our accrued expenses and other payables decreased from RMB37.5 million as of December 31, 2022 to RMB27.8 million as of December 31, 2023 mainly due to the settlements of amounts due to related parties and amounts due to third parties in 2023, partially offset by payables for cost incurred in connection with the proposed [REDACTED] of the Company's [REDACTED].

Amounts due to related parties were of non-trade nature and mainly represented the advances made by Mr. Wang to us in 2019 to support our Company's acquisition of the property where our headquarters are situated, amounted to RMB17.5 million, RMB17.2 million and nil as of December 31, 2021, 2022, and 2023, respectively. The balances (included advances from Jiangshengyuan, a company controlled by Mr. Wang's cousins) amounted to RMB50,000, RMB0.2 million and nil as of December 31, 2021, 2022, and 2023, respectively. Advances from Jiangshengyuan of RMB0.1 million and RMB32.1 million were made during the years ended December 31, 2021 and 2022, respectively, for our short-term financing needs. Most of the advances of RMB32.0 million was repaid in the year ended December 31, 2022 and the remaining balance of RMB0.2 million was repaid in the year ended December 31, 2023. For further details of our relationship with Jiangshengyuan, please refer to "— Description of Selected Items of the Consolidated Statements of Financial Position — Prepayments, deposits and other receivables" in this section and "History, Reorganization and Corporate Structure — Our Group Companies — Transfer of Equity interest with Jiangshengyuan and Tianjin Yicheng" in this document. Such balances were unsecured, non-interest bearing, and repayable on demand and will be settled prior to the [REDACTED].

Amounts due to third parties were of non-trade nature and mainly represented advances made by (i) our customers and suppliers to us; and (ii) Mr. Wang's acquaintances to us for short-term funding. Amounts due to third parties amounted to RMB6.1 million, RMB5.4 million and nil as of December 31, 2021, 2022, and 2023, respectively, among which, RMB1.2 million, RMB1.2 million and nil were made by our customers and suppliers to us, representing 19.7%, 22.2% and nil of the amounts due to third parties, respectively; while the remainings were mainly made by Mr. Wang's acquaintances to us. Such advances were unsecured, non-interest bearing, repayable on demand. During the Track Record Period, the balances of such advances gradually decreased and are expected to be settled prior to the [REDACTED]. As of the Latest Practicable Date, we have terminated all such advances arrangements. We have no other past and present relationships with such third parties.

The table below sets forth a breakdown of the amounts due to third parties during the Track Record Period:

	Balance as of January 1, 2021	*Repayment*	*Proceed*	Balance as of December 31, 2021	*Repayment*	*Proceed*	Balance as of December 31, 2022	*Repayment*	*Proceed*	Balance as of December 31, 2023
					(RMB'000)					
Non-business related										
Type 1: Customers										
Customer U[1]	23	—	—	23	—	—	23	*(23)*	—	—
Customer Y[2]	—	—	*39*	39	—	—	39	*(39)*	—	—
	23			62			62			—
Type 2: Suppliers										
Xintai Wisdom (Tianjin) Technology Co., Ltd.[3] (鑫泰智慧(天津)科技有限公司)	1,676	*(1,676)*	—	—	—	—	—	—	—	—
Supplier E[4]	1,500	*(1,500)*	*562*	562	—	—	562	*(562)*	—	—
Supplier H[5]	589	—	—	589	—	—	589	*(589)*	—	—
Supplier I[6]	367	*(367)*	—	—	—	—	—	—	—	—
	4,132			1,151			1,151			—
Type 3: Mr. Wang's acquaintances										
Company F[7]	300	*(300)*	—	—	—	—	—	—	—	—
Company G[8]	2,000	*(2,000)*	—	—	—	—	—	—	—	—
Individual A[9]	—	—	*4,500*	4,500	*(500)*	—	4,000	*(4,000)*	—	—
Company C[10]	—	—	*343*	343	*(343)*	*183*	183	*(183)*	—	—
	2,300			4,843			4,183			—
Type 4: Other individuals[11]										
Individual B	19	*(19)*	—	—	—	—	—	—	—	—
Individual C	10	*(10)*	—	—	—	—	—	—	—	—
Individual D	4	*(4)*	—	—	—	—	—	—	—	—
	33			—			—			—
Total	6,488	*(5,876)*	*5,444*	6,056	*(843)*	*183*	5,396	*(5,396)*	—	—

Notes:

1. Customer U is principally engaged in research and development of emerging energy technologies, sales of station hydrogenation and hydrogen storage facilities, vehicle sales and leasing and charging pile business. Customer U is our customer in which we have acted as the main contractor of its construction project during the Track Record Period. The one-off advance was made prior to the Track Record Period for short-term financing needs.

2. Customer Y is one of our tenants leasing our office property. It is principally engaged in car rental, general freight road passenger transport and online ride-hailing business. The one-off advance was made in year ended December 31, 2021 as prepayment for the meal that our Group's canteen provided to their staff.

3. Xintai Wisdom (Tianjin) Technology Co., Ltd. is a supplier of our construction projects since 2019. The advances were made prior to the Track Record Period for the short-term financing needs and was repaid in the year ended December 31, 2021.

4. Supplier E is principally engaged in sales of building materials and building decoration materials such as steel structure, lamps, plates and other building materials. It is a supplier of our construction projects during the Track Record Period. The advances in the amount of RMB1.5 million and RMB0.6 million were made prior to the Track Record Period and in the year ended December 31, 2021, respectively for short-term financing needs. The advances were repaid in the year ended December 31, 2021 and the year ended December 31, 2023 with RMB1.5 million and RMB0.6 million, respectively.

5. Supplier H is principally engaged in building construction works, landscaping works, municipal road works and labor services. It is a supplier of our construction projects during the Track Record Period. The one-off advance was for short-term financing needs.

6. Supplier I is principally engaged in labor service, construction works, landscaping and municipal administration, pipeline construction and steel structure works. It is a supplier of our construction projects since 2020. The advances were for short-term financing needs. The advances made prior to the Track Record Period and was repaid in the year ended December 31, 2021.

7. Company F is principally engaged in building construction works, municipal construction works, pipeline water supply and drainage supporting works, pile foundation works. Mr. Wang was acquainted to the controlling shareholder of Company F. The advances made were prior to our Track Record Period was for short-term financing needs and was repaid in the year ended December 31, 2021.

8. Company G is principally engaged in demolition of buildings, labor subcontracting and general contracting of building construction and municipal infrastructure projects. Mr. Wang was acquainted to the controlling shareholder of Company G. The advances were made prior to the Track Record Period for short-term financing needs and was repaid in the year ended December 31, 2021.

9. Individual A owns a company which is principally engaged in municipal infrastructure, decoration and other construction projects. Mr. Wang was acquainted to him. The one-off advance was made in the year ended December 31, 2021 for short-term financing needs and was partly repaid in the year ended December 31, 2022 while the remaining balance was repaid in the year ended December 31, 2023.

10. Company C is principally engaged in engineering construction activities, labor subcontracting and road freight transportation. Mr. Wang was acquainted to the controlling shareholder of Company C. The advances in the amount of RMB0.3 million and RMB0.2 million were made in the years ended December 31, 2021 and 2022, respectively for the short-term financing needs. Most of the advances of RMB0.3 million were repaid in the year ended December 31, 2022, while the remaining balance of RMB0.2 million was repaid in the year ended December 31, 2023.

11. These sums represented the return of social insurance and housing provident funds contribution to certain employees by the local government. The amounts were first paid to us for distribution and then subsequently returned to relevant employees in the same year.

Payables for staff related costs mainly represent remuneration, bonus and social welfare contribution of our staff. Payables for staff related costs increased from RMB3.5 million as of December 31, 2021 to RMB3.8 million as of December 31, 2022, which was due to the provisions for underpayment of our employees' social insurance and housing provident funds. For details, please refer to the section headed "Business — Legal and

Compliance Events" in this document. Payables for staff related costs increased to RMB4.8 million as of December 31, 2023 was in line with the increase in the number of staff in 2023.

During the Track Record Period, we received and provided advances to and from third parties respectively, these included certain customers, suppliers and acquaintances of our Group's Controlling Shareholder. These advances were recurring during the course of the year. The reasons for receiving advances from third parties, in lieu of bank loans, were out of convenience and the absence of interest costs. Our Group could have obtained borrowings from banks through the use of its office property as collateral for bank loans, however, the terms of such loans in particular the determination of value of the collateral, may not be beneficial to our Group as generally the leasehold improvements are disregarded. Thus our Group did not pursue such bank borrowing during the Track Record Period. The availability of bank financing is illustrated by the fact our Group has obtained three bank loans of RMB20.0 million in aggregate in late 2023, without collateral and guarantee provided by our Controlling Shareholders.

According to Frost & Sullivan, providing advances to and obtaining advances from customers, suppliers, and related parties in the construction industry is not uncommon.

All of the other payables are expected to be settled within one year or are repayable on demand.

Lease liabilities

For details of our lease liabilities, please refer to the paragraph headed "— Indebtedness — Lease Liabilities" in this section.

INDEBTEDNESS

As of February 29, 2024, being the most recent practicable date for the purpose of this indebtedness statement, save as disclosed below, our Group did not have outstanding mortgages, charges, debentures, bank overdrafts, loan or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits or any guarantees or other material contingent liabilities outstanding.

Our Directors confirm that as of February 29, 2024, being the most recent practicable date for the purpose of this indebtedness statement, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the most recent practicable date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the most recent practicable date. Our Directors confirm that there has not been any material change in our indebtedness since the most recent practicable date up to the date of this document.

The table below sets out the breakdown of the indebtedness of our Group as of the dates indicated:

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Bank loans:				
Unguaranteed and unsecured	—	—	20,000	30,000
Lease liabilities	—	—	223	226
Amounts due to related parties	17,563	17,452	—	—
Amounts due to third parties	6,056	5,396	—	—
	23,619	22,848	20,223	30,226

Bank loans

As of February 29, 2024, we had bank loans of RMB30.0 million unguaranteed and unsecured. As of February 29, 2024, we did not have any unutilized banking facilities.

Lease liabilities

As of December 31, 2021 and 2022, our Group did not have any lease liabilities. As of December 31, 2023 and February 29, 2024 we recorded lease liabilities in the amount of RMB0.2 million and RMB0.2 million respectively.

Amounts due to related parties and third parties

The amounts due to related parties were non-trade in nature and represented the amounts due to Mr. Wang and a company controlled by his cousins, which amounted to RMB17.6 million, RMB17.5 million, nil and nil as of December 31, 2021, 2022, and 2023 and February 29, 2024, respectively.

The amounts due to third parties, amounted to RMB6.0 million, RMB5.4 million, nil and nil as of December 31, 2021, 2022, and 2023 and February 29, 2024, respectively.

The above amounts due to related parties and amounts due to third parties are unsecured, non-interest bearing and are repayable on demand, and will be settled prior to [REDACTED].

CONTINGENT LIABILITIES

As of the Latest Practicable Date, our Company was named as a defendant in a lawsuit. If our Company is eventually found to be liable by the PRC court, the total expected additional monetary compensation may amount to approximately RMB2,506,000. Based on the legal advices and assessment from our Directors, no provision has been provided in respect of this claim. Please refer to "Business — Legal and Compliance — Litigation and claims" and Note 30 in the Accountants' Report as set out in Appendix I to this document for details. Notwithstanding the above claim, we were not involved in any material legal, arbitration or administrative proceedings which, if adversely determined, we expect would materially and adversely affect our financial position or results of operations. Our Directors confirm that as of February 29, 2024, being the latest practicable date for the purpose of indebtedness statement in this document, there was no covenant on any of outstanding debt and there was no breach of any covenants during the Track Record Period and up to February 29, 2024.

Our Directors further confirm that there has been no material adverse change in our contingent liabilities since December 31, 2023.

CAPITAL COMMITMENTS

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	—	77	—

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Building and buildings improvements	1,737	1,210	74
Motor vehicles and other equipment	286	4,893	786
Total	2,023	6,103	860

Our capital expenditures during the Track Record Period primarily consisted of expenditures on acquisitions of property and procurement of plants and equipment in the course of our operation. For the years ended December 31, 2021, 2022, and 2023, our capital expenditures incurred were RMB2.0 million, RMB6.1 million and RMB0.9 million, respectively. We funded our capital expenditures during the Track Record Period mainly from cash inflow generated from operations.

We expect to fund our planned capital expenditures with our internal resources, bank loans and other borrowings and [REDACTED] from the [REDACTED]. Our planned capital expenditures may be subject to alterations due to variations in our future cash flows, results of operations and financial conditions, changes in the PRC and world economy, the availability of financing on terms acceptable to us, technical and other problems, obtaining and installing equipment, changes in the regulatory environment in the PRC and other factors.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of February 29, 2024, being the latest practicable date for the purpose of the indebtedness statement in this document, we had not entered into any off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTIONS

Our Directors are of the view that the following parties were the related parties that had transactions or balances with our Group during the Track Record Period:

Name of related parties	**Relationship**
Mr. Wang	One of our Controlling Shareholders
Jiangshengyuan	A company controlled by Mr. Wang's cousins

For more details about our related party transactions during the Track Record Period, please see the paragraphs headed "Description of Selected Items of the Consolidated Statements of Financial Position — Prepayments, deposits and other receivables" and "Description of Selected Items of the Consolidated Statements of Financial Position — Accrued expenses and other payables", as well as Note 29 to Accountants' Report as set out in Appendix I to this document.

Our Directors confirm that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The table below sets forth a summary of our key financial ratios as of the dates or for the periods indicated:

	As of December 31,		
	2021	**2022**	**2023**
Current ratio	1.4 times	1.4 times	1.5 times
Quick ratio	1.4 times	1.4 times	1.5 times
Gearing ratio	N/A[(1)]	N/A[(1)]	8.9%

	For the year ended December 31,		
	2021	**2022**	**2023**
Return on equity	34.0%	22.4%	18.2%
Return on assets	13.5%	8.1%	7.4%
Interest coverage ratio	N/A(1)	N/A(1)	129.3 times
Gross profit margin	26.1%	25.2%	25.1%
Net profit margin	15.1%	12.2%	12.8%

Notes:

1. As of December 31, 2021 and 2022, the Group did not have any interest-bearing bank and other borrowings. Accordingly, the gearing ratio and the interest coverage ratio are not available.

Current Ratio

Our current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective period. Our current ratio remained relatively stable at 1.4 times, 1.4 times and 1.5 times as of December 31, 2021, 2022, and 2023, respectively.

Quick ratio

Our quick ratio is calculated based on total current assets less inventories and divided by total current liabilities as at the end of the respective period. Our quick ratios as of December 31, 2021, 2022, and 2023 were the same as our current ratios as we maintained a low level of inventory during the Track Record Period.

Gearing ratio

Our gearing ratio is calculated based on total bank loans divided by total equity as of the end of the respective period. Our Group did not have any borrowings as of December 31, 2021 and 2022, therefore, the gearing ratio was not applicable. The gearing ratio as of December 31, 2023 was 8.9%, as we obtained interest bearing bank loans in aggregate of RMB30.0 million in 2023 for working capital and general corporate purposes, among which, RMB10.0 million was repaid in 2023 and the balance of bank loans amounted to RMB20.0 million as at December 31, 2023.

Return on equity

Our return on equity is calculated based on the net profit for the year divided by the total equity at the end of the respective year and multiplied by 100%. Our return on equity decreased from 34.0% for the year ended December 31, 2021 to 22.4% for the year ended December 31, 2022, primarily due to the decrease in net profit and increase in equity. Our return on equity further decreased to 18.2% for the year ended December 31, 2023 primarily due to the increase in equity, partially offset by the increase in net profit.

Return on assets

Our return on assets is calculated based on the net profit for the respective year divided by the total assets at the end of the respective year and multiplied by 100%. Our return on assets decreased from 13.5% for the year ended December 31, 2021 to 8.1% for the year ended December 31, 2022, primarily due to the decrease in net profits and the increase in total assets. Our return on assets remained relatively stable at 7.4% for the year ended December 31, 2023.

Interest coverage ratio

Our interest coverage ratio is calculated based on profit before interest and tax divided by finance costs for the respective period. Our Group did not incur finance costs for the year ended December 31, 2021 and 2022, therefore, the interest coverage ratio is not applicable. We entered into interest bearing loans in aggregate of RMB30.0 million in 2023, among which RMB10.0 million was repaid as of December 31, 2023. Our interest coverage ratio for the year ended December 31, 2023 was 129.3 times with a financial cost of RMB0.4 million incurrence during such period.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

During the Track Record Period, we were principally subject to liquidity risk and credit risk arising in the normal course of our business. Please refer to Note 27 in the Accountants' Report as set out in Appendix I to this document for details.

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, we did not declare any dividends.

Although we do not have a formal dividend policy or a fixed dividend distribution ratio, a decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other factors, the results of our operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions and other factors that we may consider relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

DISTRIBUTABLE RESERVES

Under PRC laws, distributable reserves consist of net profit calculated according to PRC accounting principles, which, in many aspects, differs from the generally accepted accounting principles in other jurisdictions, including IFRS Accounting Standards. In addition, PRC laws and regulations also require a PRC-incorporated enterprise to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends (when the statutory reserve reaches and is maintained at or above 50% of their registered capital, no further allocations to this statutory reserve will be required). These statutory reserves are not available for distribution as cash dividends.

As of December 31, 2023, our Company had reserves available for distribution to our shareholders in an aggregate amount of RMB27.3 million.

PROPERTY INTERESTS AND PROPERTY VALUATION

During the Track Record Period, our Group owned three types of property: (i) property held for its own occupation; (ii) property held for investment; and (iii) property held for sale. In respect of the property held for investment, as it has been leased out for a term of 20 years and classified as finance lease, its book value of related assets has been derecognized and lease receivables has been recognized. Hence, a reconciliation between its net book value as of December 31, 2023 and the fair value is not needed. The table below sets forth the reconciliation between the net book value of our property held for our own occupation as of December 31, 2023 as extracted from the Accountants' Report as set out in the Appendix I to this document and the fair value as of January 31, 2024 as stated in the Property Valuation Report in Appendix III to this document.

	RMB'000
Net book value of property as of December 31, 2023	**48,374**
Add: Valuation surplus	6,042
Less: depreciation-charged	(277)
Valuation of the subject property as of January 31, 2024 set out in Appendix III to this document	54,139

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of our Group as of December 31, 2023 as if the [REDACTED] had taken place on December 31, 2023.

The unaudited [REDACTED] statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the [REDACTED] been completed as of December 31, 2023 or at any future date.

	Consolidated net tangible assets of our Group as of December 31, 2023(1)	Estimated [REDACTED] from the [REDACTED](2)	Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group	Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	225,187	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	225,187	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets of our Group as of December 31, 2023 is extracted from the Accountants' Report as set out in Appendix I to this document which is based on the consolidated net assets of our Group as of December 31, 2023 of RMB225,187,000.

(2) The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] to be [REDACTED] pursuant to the [REDACTED] and the indicative [REDACTED] of HK$[REDACTED] per [REDACTED] and HK$[REDACTED] per [REDACTED], being the low end and high end of [REDACTED] range respectively, after deduction of the estimated [REDACTED] and other related expenses paid or payable by our Group (excluding the [REDACTED] that have been charged to profit or loss up to December 31, 2023), and does not take into account any [REDACTED] which may be [REDACTED] upon the exercise of the [REDACTED]. The estimated [REDACTED] of the [REDACTED] have been converted to RMB at the exchange rate of HK$1.0000 to RMB0.9091 prevailing on December 31, 2023. No representation is made that the HK$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates.

(3) The unaudited [REDACTED] adjusted consolidated net tangible assets of our Group per Share is arrived at by dividing the unaudited [REDACTED] adjusted consolidated net tangible assets of our Group by [REDACTED] (being 161,844,749 Shares in issue and outstanding as of December 31, 2023 and [REDACTED] to be newly [REDACTED] pursuant to the [REDACTED]), and does not take into account any [REDACTED] which may be [REDACTED] upon the exercise of the [REDACTED].

(4) The unaudited [REDACTED] adjusted consolidated net tangible assets of our Group per Share amounts in RMB are converted to HK$ at the exchange rate of RMB0.9091 to HK$1.0000 prevailing on December 31, 2023. No representation is made that RMB amounts have been, could have been or could be converted into HK$, or vice versa, at that rate or at any other rates.

(5) Our Group's buildings and buildings improvements and investment properties included in the consolidated financial statements as of January 31, 2024 have been valued by King Kee Appraisal and Advisory Limited, an independent property valuer. Details of the valuation is set out in Appendix III to this Document. The above unaudited [REDACTED] statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of our Group's property interests amount to approximately RMB6,042,000. Revaluation surplus has not been recorded in the historical financial information of our Group and will not be recorded in the consolidated financial statements of our Group in future periods as our Group's property, plant and equipment and investment properties are stated at cost less accumulated depreciation and impairment loss, if any. If the valuation surplus are recorded in our Group's consolidated financial statements, additional annual depreciation of approximately RMB426,000 would be charged against the profit in the future periods.

(6) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to December 31, 2023.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2023 (being the end date of the periods reported in Appendix I to this document) and there has been no event since December 31, 2023, which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

[REDACTED]

Based on the mid-point of the [REDACTED] stated in this document and assuming that the [REDACTED] is not exercised, the total estimated [REDACTED] (including [REDACTED] commission) in connection with the [REDACTED] are expected to be RMB[REDACTED] or [REDACTED] of the gross [REDACTED] from the [REDACTED], among which, RMB[REDACTED] is directly attributable to [REDACTED] of [REDACTED] and will be charged to equity upon completion of the [REDACTED], and RMB[REDACTED] has been charged or is expected to be charged to our consolidated statement of profit and loss and other comprehensive income. Our [REDACTED] are categorized into [REDACTED] expenses, which consists of [REDACTED] fee and commission of approximately RMB[REDACTED] and [REDACTED] expenses of approximately RMB[REDACTED]. The [REDACTED] expenses can be further classified into (i) fees and expenses for legal advisors and accountants of approximately RMB[REDACTED]; and (ii) other fees and expenses of approximately RMB[REDACTED]. During the Track Record Period, we incurred [REDACTED] of RMB[REDACTED] of which RMB[REDACTED] was included in prepayments and will be charged to equity upon completion of the [REDACTED], and RMB[REDACTED] was charged to consolidated statement of profit and loss and other comprehensive income.

FUTURE PLANS

Please refer to the section headed "Business — Business Strategies" for a detailed description of our future plans.

REASONS FOR THE [REDACTED]

Our principal business objective is to increase more market share in the construction industry in Tianjin and other regions in the PRC, expand our business into more segments of construction industry and further strengthen our market position. Our Directors believe that the [REDACTED] is conducive to achieving our business objective for the following reasons.

- Our Directors consider that our future expansion plans as set out in "Business — Business Strategies" in this document are capital intensive. The [REDACTED] will provide our Group with additional access of equity funding by means of [REDACTED] new [REDACTED]. Our Directors believe that a combination of equity financing, debt financing and internal resources will provide a balanced and suitable capital structure to support the long-term growth of our Group. In particular, our Directors have considered the following advantages of equity financing over debt financing to fund our expansion plan.

  (a) During the Track Record Period, we mainly funded our operations from cash flows generated from operating activities and our cash and bank balances since it would be difficult to obtain bank borrowings with commercially acceptable terms without guarantees to be provided by our Company and/or the Controlling Shareholders as we are a group of private companies. Our Directors consider that it would not be in the interest of our Group to rely on debt financing that involves personal guarantees and/or collaterals provided by our Controlling Shareholders, executive Directors and their respective associates and advances from our Controlling Shareholders.

  (b) Equity financing is a more feasible measure of fund-raising than debt financing to finance the long term future plans of our Group because financial institutions might request a significant amount of deposits, securities and properties to be pledged as a condition for obtaining debt financing and we may be subject to various covenants contained in relevant debt instruments that may restrict us from obtaining additional financing, conducting our business activities and distributing dividends. Furthermore, the long term nature of equity financing is more favorable to fulfill long term development needs of our Group, compared with debt financing which requires refinancing from time to time.

  (c) The [REDACTED] will broaden our Group's capital base and provide a platform for our Group to raise fund, on a recurring basis which is not limited to the amount of net [REDACTED] to be raised in the [REDACTED], to finance our future business expansion and long-term development.

- The [REDACTED] status will enhance our corporate profile and recognition and enable our Group to be considered more favorably by our customers when tendering for construction projects, given that a listed company is subject to ongoing regulatory compliance for announcements, financial disclosures and corporate governance and offers transparency to our customers and potential customers.

- The [REDACTED] will provide a platform for our Group to access the capital markets for future secondary fund-raising through either the issuance of (i) Shares or (ii) debt securities, depending on the prevailing market condition at the time of capital needs so that our Group's further expansion plans (other than those future plans stated in this document) can be supported when opportunities arise. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity and our Directors believe that a [REDACTED] status will allow us to gain leverage in obtaining bank financing with relatively more favorable terms in the PRC and Hong Kong.

- The [REDACTED] will enable us to enhance employee incentive and commitment. As a construction services provider, experienced and quality staff are vital to our business operations and future development. Being a listed company can enhance visibility and public perception and help us to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive; and

- The [REDACTED] will enhance the liquidity of the Shares which will be freely [REDACTED] on the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the [REDACTED]. Hence, our Directors consider that the [REDACTED] will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the [REDACTED] of the Shares.

[REDACTED]

We estimate that the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), will be approximately HK$[REDACTED], after deduction of [REDACTED] and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised.

In the event the [REDACTED] is exercised in full and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), we will receive additional [REDACTED] of approximately HK$[REDACTED].

If the [REDACTED] is fixed at HK$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised, we will receive additional [REDACTED] of approximately HK$[REDACTED].

If the [REDACTED] is fixed at HK$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised, the [REDACTED] we receive will be reduced by approximately HK$[REDACTED].

We intend to use the [REDACTED] of the [REDACTED] for the purposes and in the amounts set out below assuming that the [REDACTED] is not exercised and the [REDACTED] is fixed at HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document):

Amount of [REDACTED]	[REDACTED]
(i) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	To fund our up-front costs of potential projects
(ii) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	To establish local branch offices in regions outside Tianjin and expand our business presence in more cities in the PRC
(iii) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	To enhance our R&D capabilities including (a) purchasing hardware and equipment to upgrade and improve our Jiexiao System, (b) recruiting competent and competitive professionals to lead our R&D activities, and (c) purchasing software for upgrading and improving the functionality of our Jiexiao System
(iv) approximate [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to RMB[REDACTED])	To acquire or invest in other construction companies that focus on petrochemical engineering, new energy engineering or new urban infrastructure construction, which hold the relevant licenses or qualifications to undertake such works
(v) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	For working capital and general corporate purpose

We intend to apply the [REDACTED] from the [REDACTED] according to the time frame as set out below.

Purpose		Excepted time frame for applying the [REDACTED] For the six months ending June 30, 2024	For the six months ending December 31, 2024	For the six months ending June 30, 2025	For the six months ending December 31, 2025	Total
		(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
(i)	To fund our up-front costs of potential projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(ii)	To establish local branch offices in regions outside Tianjin and expand our business presence in more cities in the PRC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(iii)	To enhance our R&D capabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(iv)	To acquire or invest in other construction companies that focus on petrochemical engineering, new energy engineering or new urban infrastructure construction, which hold the relevant licenses or qualifications to undertake such works	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(v)	For working capital and general corporate purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The details of our plans for use of [REDACTED] are set out below:

(i) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used to fund our up-front costs of our potential projects.

Based on the construction contracts entered into between our Group and our customers, we are entitled to receive progress payments from our customers upon achievement of key millstones as set forth in our construction contracts, or on a periodic basis, which would enable us to start billing at an agreed percentage of the total certified value of work we performed. During the Track Record Period, we usually incurred a substantial amount of up-front costs during the initial stage (i.e. between the time we start to incur up-front costs and the time we first receive progress payment from our customers, the "**Up-front Period**") of our construction projects, which mainly included costs of materials consumed and labor subcontracting costs and represented not less than approximately 20.0% (the "**Up-front Cost Ratio**") of the total contract value of the respective project. We usually funded such up-front costs with our working capital during the Track Record Period and were generally restrained by such capital needs in our projects during the Up-front Period from undertaking more large scale projects that generally required more up-front costs. According to Frost & Sullivan, such billing and payment arrangements are common practice in the construction industry in the PRC.

Our Directors are of the view that it is not practical to allocate our [REDACTED] from [REDACTED] to our construction projects on hand or potential construction projects with tenders submitted as the upfront expenditure of these projects is generally expected to be incurred and paid before the expected [REDACTED], given the fact that the duration of most of our projects during the Track Record Period was less than one year. Therefore, our Board intends to allocate approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) to fund the up-front costs of our potential construction projects during the Up-front Period in the future. We believe our potential projects will be of similar nature and construction type to our historic construction projects and will be selected through our project identification and selection processes. Our Directors and management are committed to monitoring the market dynamics in the PRC construction industry, capturing the business opportunities which are favorable to the expansion of our Group, and using their best efforts to secure profitable and high quality projects for our Company.

(ii) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used to establish local branch offices outside Tianjin and expand our business presence in more cities in the PRC.

During the Track Record Period, we were headquartered in Tianjin and our operation was primarily based in Tianjin. Notwithstanding that the majority of our projects were carried out in and a considerable part of revenue was generated from Tianjin during the Track Record Period, we also bid and were awarded projects outside Tianjin in cities such as Xi'an, Nanchang and Guiyang during the Track Record Period. Based on our past experiences in undertaking construction projects in regions outside Tianjin, our Directors believe that it would be favorable and feasible for our Company to capture the local business opportunities to further expand our footprint and establish business presence in more cities in the PRC. Taking into account the market size and expected growth of construction industry in Shaanxi province, Jiangxi province and Guizhou province as set out in the section headed "Industry Overview — Overview of Municipal Public Construction Industry in the PRC and Tianjin — Market Size of Construction Industry in Regions Outside Tianjin" in this document, our Directors are of the view that we should implement our expansion plan in these provinces to capture the favorable local business opportunities. We may therefore establish local branch offices or representative offices in Xi'an, Nanchang and Guiyang to facilitate our communication with customers in these provinces and their surrounding areas, better understand their service needs and provide them with timely and responsive services.

Our Directors consider that the fund needs in establishing our branch offices or representative offices in the relevant cities would mainly arise from renting office premises, recruiting local staff and administrative expenses.

	For the year ending December 31, 2024	**For the year ending December 31, 2025**
	RMB'000	*RMB'000*
Xi'an Branch		
Salary	742	2,283
Rent	56	96
Renovation	100	—
Other administrative expenses	350	600
Subtotal	**1,248**	**2,979**
Nanchang Branch		
Salary	530	2,111
Rent	40	96
Renovation	100	—
Other administrative expenses	250	600
Subtotal	**920**	**2,807**
Guiyang Branch		
Salary	424	2,024
Rent	32	96
Renovation	100	—
Other administrative expenses	200	600
Subtotal	**756**	**2,720**
Branch 4		
Salary	—	1,680
Rent	—	96
Renovation	—	100
Other administrative expenses	—	600
Subtotal	**—**	**2,476**
Total *(RMB'000)*	**2,924**	**10,982**
Total *(HK$'000 equivalent)*	**3,216**	**12,080**

We intend to use approximately RMB[REDACTED] (equivalent to approximately HK$[REDACTED]) to establish branch offices in Xi'an, Nanchang and Guiyang for the year ending December 31, 2024 and approximately RMB[REDACTED] (equivalent to approximately HK$[REDACTED]) to establish branch offices in Xi'an, Nanchang and Guiyang and to establish branch offices in other regions which are favorable to our Group in capturing local opportunities for the year ending December 31, 2025.

We plan to set up branch offices Xi'an, Nanchang and Guiyang because we saw potential in developing our construction business in Shaanxi province, Jiangxi province and Guizhou province, and Xi'an, Nanchang and Guiyang are the major cities in these provinces.

Local economies, market conditions and favorable local government policies of Xi'an, Nanchang and Guiyang

In addition to the local economies, market conditions and favorable local government policies of the Shaanxi province, Jiangxi province and Guizhou province set out in the section headed "Industry Overview — Overview of Municipal Public Construction Industry in the PRC and Tianjin — Market Size of Construction Industry in Regions Outside Tianjin", below are the respective market and industry data in Xi'an, Nanchang and Guiyang:

1. Local economy of Xi'an, Nanchang and Guiyang

According to Frost & Sullivan, the CAGR for nominal GDP and nominal GDP per capita in Tianjin from 2018 to 2022 was 5.1% and 5.7%, respectively, and is projected to continue to grow steadily at a CAGR of 4.6% and 5.3%, respectively. As compared to Tianjin, the Xi'an, Nanchang and Guiyang showed higher or comparable growth in their macroeconomic CAGR, such as nominal GDP and nominal GDP per capita:

- ***Xi'an****:* The CAGR for nominal GDP and nominal GDP per capita in Xi'an from 2018 to 2022 was 7.8% and 5.0%, respectively, and is projected to continue to grow at a CAGR of 5.7% and 4.3%, respectively.

- ***Nanchang****:* The CAGR for nominal GDP and nominal GDP per capita in Nanchang from 2018 to 2022 was 8.9% and 6.7%, respectively, and is projected to continue to grow at a CAGR of 6.9% and 9.2%, respectively.

- ***Guiyang****:* The CAGR for nominal GDP and nominal GDP per capita in Guiyang from 2018 to 2022 was 7.2% and 5.6%, respectively, and is projected to continue to grow at a CAGR of 5.9% and 5.4%, respectively.

Considering the economic growth in the Xi'an, Nanchang and Guiyang, the Directors are of the view that there will be development opportunities in these areas.

2. *Market conditions of the construction market of the Xi'an, Nanchang and Guiyang*

The construction industry in the Xi'an, Nanchang and Guiyang has been achieving higher growth than Tianjin in the past few years and is expected to continue to grow in the coming years. According to Frost & Sullivan, the output value of the construction industry in Nanchang, Xi'an, and Guiyang witnessed CAGRs of 11.3%, 11.4%, and 11.4% respectively from 2018 to 2022, which was higher than that of Tianjin's construction industry of 5.8% during the same period. The output value of the construction industry in Nanchang, Xi'an and Guiyang is expected to grow at CAGRs of 7.8%, 7.6% and 7.8% respectively from 2022 to 2027, each of which is higher than Tianjin's construction industry of 5.2% during the same period.

Below sets out the competitive landscape of the Relevant Cities:

- ***Xi'an****:* The output value of construction industry in Xi'an in 2022 is RMB600.1 billion. There were approximately 1,400 construction enterprises in Xi'an in 2022. The construction industry is highly fragmented in Xi'an. The top five construction companies accounted for an aggregate market share of less than 12% in terms of construction revenue among all private construction companies in Xi'an in 2022. The total investment in fixed assets in Xi'an increased at a CAGR of 2.7% from 2018 to 2022 and is expected to grow at a CAGR of 2.6% from 2022 to 2027.

- ***Nanchang****:* The output value of construction industry in Nanchang in 2022 is RMB559.0 billion. There were approximately 1,300 construction enterprises in Nanchang in 2022. The construction industry is highly fragmented in Nanchang. The top five construction companies accounted for an aggregate market share of less than 15% in terms of construction revenue among all private construction companies in Nanchang in 2022. The total investment in fixed assets in Nanchang increased at a CAGR of 9.2% from 2018 to 2022 and is expected to grow at a CAGR of 6.8% from 2022 to 2027.

- ***Guiyang****:* The output value of construction industry in Guiyang in 2022 is RMB314.9 billion. There were approximately 500 construction enterprises in Guiyang in 2022. The construction industry is highly fragmented in Guiyang. The top five construction companies accounted for an aggregate market share of less than 7% in terms of construction revenue among all private construction companies in Guiyang in 2022. The total investment in fixed assets in Guiyang showed a CAGR of –1.9% from 2018 to 2022 and is expected to grow at a CAGR of 2.7% from 2022 to 2027.

3. *Favorable government policies of the construction market of the Xi'an, Nanchang and Guiyang*

The local government authorities in the PRC have been implementing several favorable policies to promote the growth of the construction industry in the Relevant Cities:

- ***Xi'an***: According to the "24 Measures for Optimizing the Business Environment in the Construction Market in Xi'an" (《西安市優化建築市場營商環境二十四條措施》) published by the Xi'an Municipal Bureau of Housing and Urban-Rural Development in May 2023, the policy is primarily aimed at promoting the high-quality development of the construction industry in Xi'an, supporting business transformation and upgrade, with focus on continuous improvement of the construction market environment, which includes building a housing and urban-rural development credit platform, covering "construction, supervision, inspection and design," and regularly issuing credit risk ratings for construction companies.

- ***Nanchang***: In 2022, the Department of Housing and Urban-Rural Development of Jiangxi Province issued the "Measures on Implementing the Strategy of Supporting Nanchang's High-Quality Development in the Field of Housing and Urban-Rural Construction" (《關於住房城鄉建設領域落實強省會戰略支持南昌城市高品質發展的若干政策措施》). The policy aims to fully develop and strengthen the construction industry by supporting construction companies with strong overall strength and high brand recognition to establish their headquarters or regional headquarters in Nanchang. For companies which set up subsidiaries in Nanchang, such companies are not subject to the entry level restrictions and can directly apply for a second-grade qualification in the construction industry, with a "green channel" for application and approval. In addition, according to the "Notice on Measures to Promote the High-Quality Development of the Construction Industry in Nanchang"(《關於推進南昌市建築業高品質發展的若干措施的通知》) published by The People's Government of Nanchang in February 2023, effort will be made to enhance the competitiveness of construction enterprises in Nanchang and promote high-quality development of the construction industry, elevating the role of the construction industry in the economic and social development of the city. Specific measures encompass, among others, backing construction corporations to venture into the infrastructure construction domain, advocating consortia bidding mechanisms, steering the progression of the construction sector, enthusiastically endorsing the general contracting method of engineering work, and robustly cultivating the precast building industry.

- ***Guiyang**:* According to the "Notice on Several Measures to Promote the High-Quality Development of the Construction Industry in Guiyang" (《貴陽市促進建築業高品質發展若干措施的通知》) published by The People's Government of Guiyang in August 2023, effort will be made to support construction enterprises to grow larger by encouraging social investment projects to prioritize the selection of construction enterprises with strong social responsibility, so as to play an exemplary role for other enterprises, continuously optimizing the approval and management system for construction projects and deepening the reform of the approval system for construction Projects.

4. Market Opportunities in Xi'an, Nanchang and Guiyang and our advantage in possessing first-grade petrochemical engineering construction

According to Frost & Sullivan, the possession of first-grade qualifications in petrochemical engineering construction is a significant competitive edge of our Group as it differentiates our Group from the other market players who do not have such qualification. The scarcity of relevant construction companies is noted in Shaanxi province, Jiangxi province and Guizhou province. According to Frost & Sullivan:

- among construction companies headquartered in Shaanxi province, no more than 30 possess first-grade qualification in petrochemical engineering construction, which represent approximately 0.7% of the total number of construction companies in Shaanxi province in 2022;

- among construction companies headquartered in Jiangxi province, very few (less than 0.1%) of construction companies hold first-grade qualifications in petrochemical engineering construction in 2022; and

- among construction companies headquartered in Guizhou province, no more than 5 possess first-grade qualification in petrochemical engineering construction, which represent about 0.1% of the total number of construction companies in Guizhou province in 2022.

(iii) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used to enhance our R&D capabilities. During the Track Record Period, our Company has been accredited as a High and New Technology Enterprise* (高新技術企業) and such accreditation will require us to continuously invest in R&D activities to enhance our R&D capabilities including (a) purchasing hardware and equipment to upgrade and improve our Jiexiao System; (b) recruiting competitive and competent talents to lead our R&D activities; and (c) purchasing software for upgrading and improving the functionality of our Jiexiao System.

(a) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used to purchase hardware and equipment to upgrade and improve our Jiexiao System.

Upgrading our Jiexiao System requires input of and integration with compatible hardware and equipment in order to continuously optimize its functionality. We consider the following equipment and hardware to be essential to the future upgrade and improvement of our Jiexiao System:

- Intelligent hardware: we intend to integrate our Jiexiao System with several types of intelligent hardware such as smart weighbridges which could weigh the raw materials loaded in the trucks and transmit the relevant data to the cloud server of our Jiexiao System for further data processing; the compatible transport tool of smart weighbridges; smart safety helmet which can realize, among others, real-time position tracking of our workers and automatic alert when the safety helmet is taken off at the construction sites; and facial recognition device to be installed at the gates of our construction sites which could monitor unauthorized entrance or attendance status of workers. Our Directors believe that the integration between our Jiexiao System and intelligent hardware could enable the application of our Jiexiao System in more construction processes, enhance its measurement accuracy and reduce staff costs incurred for site monitoring.

- Internet communication equipment: as the operation of the abovementioned intelligent hardware requires internet environment, we intend to equip such intelligent hardware with the IoT data cards so that the intelligent hardware could be connected to our Jiexiao System and transmit the relevant data collected during different construction processes to the cloud server simultaneously.

- Elastic compute service: following the adoption of intelligent hardware and more data being collected during our construction processes, we will need to hire more cloud servers to enhance our data storage and computing capabilities, which would eventually improve the operational performance of our Jiexiao System.

Our Directors believe that with the integration of the abovementioned hardware and equipment, our Jiexiao System will be a more flexible, efficient and accurate construction management software, which will in turn contribute to the improvement of our operations and financial performance, and hence would be in the interests of our Group to make such purchases. Our Directors estimate the costs of the abovementioned hardware and equipment based on the quotation price from third party suppliers, our historic purchase price and the market prevailing price and believe that the purchase of hardware and equipment is commercially justifiable based on our operational needs, having considered the application and use of our Jiexiao System.

(b) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used to recruit and retain competent and competitive professionals to lead our R&D activities.

We intend to recruit approximately three to five experienced professionals with the relevant background and qualifications both in software development and construction industry as our R&D activities mainly including the future upgrades and improvements of our Jiexiao System, which require our R&D staff not only to possess the relevant skills in software development but also have a deep understanding of our construction processes and the difficulties we may encounter in different phases of our projects. Our Directors believe that such professionals to be recruited would play a key role in our R&D team to lead our R&D activities. The monthly salary of the R&D professionals to be recruited may range from RMB40,000 to RMB60,000, which will be determined with reference to various factors, which include, among others, (a) additional experience, qualification and personal attributes required by us; (b) the prevailing average market rate of salary for candidates with the required experience, qualification and personal attributes; and (c) the availability of such technical staff and the then requirements of our R&D activities.

(c) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used to purchase software for upgrading and improving functionality of our Jiexiao System.

During the Track Record Period, we applied our Jiexiao System in our daily operation and Jiexiao System played a key role in different phases of our construction projects. For details of the use and application of our Jiexiao System in our construction projects, please refer to the section headed "Business — Intellectual Property — Our Jiexiao System" in this document. We intend to further upgrade and improve the functionality of our Jiexiao System not only by integrating it with intelligent hardware and equipment but also optimizing its own programming and algorithms. Hence, we intend to acquire an integrated development environment in which our R&D staff could enhance the coding and build new functions of our Jiexiao System in a more efficient way with the assistance of a ready-to-use software development infrastructure. We also intend to acquire an integrated development environment for mobile phones which could assist our R&D staff to more efficiently upgrade the mobile version of our Jiexiao System.

Our Directors believe that an upgraded Jiexiao System will further enhance our competitiveness, improve our service quality and better control our costs; further, the use of our Jiexiao System, with its enhanced functionality, could be promoted to more market users in the construction industry, and eventually our Jiexiao System could be more commercialized and monetized in the future.

(iv) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used to acquire or invest in other construction companies that focus on petrochemical engineering, new energy engineering or new urban infrastructure construction and hold the relevant licenses or qualifications to undertake such works.

According to the Frost & Sullivan Report, 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)》) sets out the PRC government's plan to speed up the infrastructure construction in China. Given the expected growth in the related markets and favorable policies, we intend to expand our construction business into areas such as new energy and new urban infrastructure construction as well as further expand our petrochemical engineering works. We intend to acquire construction companies that focus on petrochemical engineering, new energy engineering or new urban infrastructure construction, which hold the relevant licenses or qualifications to undertake such works. As of the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of [REDACTED] from the [REDACTED]. The proposed allocation of [REDACTED] from the [REDACTED] (i.e. [REDACTED]% or HK$[REDACTED] of the estimated [REDACTED] from the [REDACTED] assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the proposed [REDACTED] range per Share stated in this document)) is determined with reference to (i) our expansion plan in the targeted construction segments; and (ii) our criteria for the acquisition and investments as described below including but not limited to the licenses and/or qualifications required to undertake the relevant construction projects.

Although we had not identified any suitable targets as of the Latest Practicable Date, we have determined the criteria for evaluating potential targets. We intend to acquire or invest in target companies that (i) are construction companies located in Xi'an, Nanchang or Guiyang with a total revenue of approximately RMB20.0 million for the most recent financial year, which focus on petrochemical engineering, new energy engineering and new urban infrastructure construction; (ii) possess the required licenses or qualifications to undertake the relevant construction projects; and (iii) have reputable brand and good corporate image without major negative news or reports on unsatisfactory property management services, negative credit records, debt disputes, administrative penalties or pending legal proceedings and disputes. In determining whether to proceed with the acquisition, we will also consider other risk factors, including hidden liabilities, administrative penalties, outstanding legal proceedings and disputes. Accordingly, we expect to create synergy between the construction business of the target companies and our Company by (i) sharing business contacts, business opportunities and other local resources between different construction projects, (ii) reducing costs and achieving economies of scales through centralized purchase and manpower coordination in the same region, and (iii) sharing experiences on local regulatory, cultural and business environment among our Group. According to the Frost & Sullivan Report, in 2022, there were approximately 300, 300 and 100 target companies in Xi'an, Nanchang and Guiyang, respectively, that fulfill our Group's selection criteria above. Our Directors also expect that our acquisitions and investments will facilitate the establishment of business presence of our Company in these cities where we intend to set up local branch offices.

(v) approximately [REDACTED]% of our estimated [REDACTED], or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) will be used for working capital and general corporate purposes.

In the event that the [REDACTED] is fixed below or above the mid-point of the indicative price range, the [REDACTED] allocated to the above purposes will be adjusted on a pro rata basis. Any additional [REDACTED] received from the exercise of the [REDACTED] will be allocated to the above purposes on a pro rata basis.

In the event of any material change in our use of [REDACTED] of the [REDACTED] from the purposes described above or in our allocation of the [REDACTED] among the purposes described above, a formal announcement will be made.

To the extent that the [REDACTED] from the [REDACTED] are not immediately applied to the above purposes, we intend to deposit such [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions in Hong Kong (as defined under the SFO) and the PRC (as defined under the PRC Laws).

We will issue an announcement in the event that there is any material change in the use of [REDACTED] of the [REDACTED] as described above.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-61, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 天津建设发展集团股份公司 TIANJIN CONSTRUCTION DEVELOPMENT GROUP CO., LTD. AND CHINA EVERBRIGHT CAPITAL LIMITED

Introduction

We report on the historical financial information of 天津建设发展集团股份公司 Tianjin Construction Development Group Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-61, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2021, 2022 and 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-61 forms an integral part of this report, which has been prepared for inclusion in the Document of the Company dated 15 April 2024 (the "**Document**") in connection with the initial [REDACTED] of [REDACTED] 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2021, 2022 and 2023, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 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 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 26(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
15 April 2024

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

	Note	Years ended 31 December 2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Revenue	*4*	274,944	287,960	319,437
Cost of sales		(203,238)	(215,365)	(239,131)
Gross profit		71,706	72,595	80,306
Other net income	*5*	4,729	1,012	1,141
Operating and administrative expenses		(24,960)	(24,281)	(28,789)
Impairment losses on trade receivables, lease receivables, other receivables and contract assets	*6*	(3,853)	(10,149)	(5,344)
Profit from operations		47,622	39,177	47,314
Finance costs	*7(a)*	—	—	(366)
Profit before taxation	*7*	47,622	39,177	46,948
Income tax	*8*	(6,208)	(4,087)	(5,903)
Profit and total comprehensive income for the year attributable to equity owners/ shareholders of the Company		41,414	35,090	41,045
Earnings per share				
Basic and diluted *(RMB yuan)*	*11*	0.28	0.23	0.27

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	At 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*12*	45,456	48,299	45,384
Investment properties	*13*	—	—	8,739
Right-of-use assets	*14*	—	—	266
Lease receivables	*15*	6,817	6,602	6,371
Deferred tax assets	*25(b)*	842	2,236	4,334
		53,115	57,137	65,094
Current assets				
Inventories		175	194	282
Contract assets	*17(a)*	126,628	214,735	221,275
Trade and bills receivables	*18*	90,680	123,983	232,497
Lease receivables	*15*	2,335	3,135	1,473
Prepayments, deposits and other receivables	*19*	20,860	12,160	25,010
Restricted bank deposits	*20*	575	575	4,369
Cash and cash equivalents	*20*	11,312	20,200	6,422
		252,565	374,982	491,328
Current liabilities				
Trade and bills payables	*21*	140,811	231,469	275,784
Contract liabilities	*17(b)*	365	746	749
Accrued expenses and other payables	*22*	36,051	37,459	27,797
Lease liabilities	*23*	—	—	81
Bank loans	*24*	—	—	20,000
Income tax payable	*25(a)*	6,644	5,546	6,682
		183,871	275,220	331,093
Net current assets		68,694	99,762	160,235
Total assets less current liabilities		121,809	156,899	225,329
Non-current liabilities				
Lease liabilities	*23*	—	—	142
NET ASSETS		121,809	156,899	225,187
CAPITAL AND RESERVES	*26*			
Paid-in capital/share capital		77,998	77,998	161,845
Reserves		43,811	78,901	63,342
TOTAL EQUITY		121,809	156,899	225,187

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

		At 31 December		
	Note	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*12*	26,649	30,634	28,601
Investment properties	*13*	—	—	8,739
Right-of-use assets	*14*	25,957	24,565	23,442
Lease receivables	*15*	6,817	6,602	6,371
Investments in subsidiaries	*16*	15,000	15,000	15,000
Deferred tax assets		842	2,236	4,334
		75,265	79,037	86,487
Current assets				
Inventories		175	194	282
Contract assets	*17(a)*	126,628	199,117	216,257
Trade and bills receivables	*18*	90,680	98,025	204,555
Lease receivables	*15*	2,335	3,135	1,473
Prepayments, deposits and other receivables	*19*	19,791	12,091	44,906
Restricted bank deposits	*20*	575	575	4,369
Cash and cash equivalents	*20*	11,067	20,083	6,382
		251,251	333,220	478,224
Current liabilities				
Trade and bills payables	*21*	140,375	193,099	253,778
Contract liabilities	*17(b)*	365	746	749
Accrued expenses and other payables	*22*	22,005	26,804	29,720
Lease liabilities	*23*	2,763	2,763	2,844
Bank loans	*24*	—	—	20,000
Income tax payable		6,644	5,357	6,682
		172,152	228,769	313,773
Net current assets		79,099	104,451	164,451
Total assets less current liabilities		154,364	183,488	250,938
Non-current liabilities				
Lease liabilities	*23*	27,238	26,344	25,526
NET ASSETS		127,126	157,144	225,412
CAPITAL AND RESERVES	*26*			
Paid-in capital/share capital		77,998	77,998	161,845
Reserves		49,128	79,146	63,567
TOTAL EQUITY		127,126	157,144	225,412

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Paid-in capital/share capital	Capital reserve	Statutory reserve	Special reserve	(Accumulated losses)/ retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 26(b))	*(Note 26(d))*	*(Note 26(e))*	*(Note 26(f))*		
Balance at 1 January 2021	77,000	—	1,454	2,024	(1,081)	79,397
Changes in equity for 2021:						
Profit and total comprehensive income for the year	—	—	—	—	41,414	41,414
Capital contributions by an equity owner *(Note 26(b)(i))*	998	—	—	—	—	998
Appropriation to reserves	—	—	3,549	4,965	(8,514)	—
Balance at 31 December 2021 and 1 January 2022	77,998	—	5,003	6,989	31,819	121,809
Changes in equity for 2022:						
Profit and total comprehensive income for the year	—	—	—	—	35,090	35,090
Appropriation to reserves	—	—	2,439	5,622	(8,061)	—
Balance at 31 December 2022 and 1 January 2023	77,998	—	7,442	12,611	58,848	156,899
Changes in equity for 2023:						
Profit and total comprehensive income for the year	—	—	—	—	41,045	41,045
Conversion into a joint stock company with limited liability *(Note 26(b)(ii))*	72,002	10,611	(7,442)	(11,718)	(63,453)	—
Capital contributions *(Note 26(b)(ii))*	4,348	5,652	—	—	—	10,000
Loan capitalisation *(Note 26(b)(ii))*	7,497	9,746	—	—	—	17,243
Appropriation to reserves	—	—	3,603	4,992	(8,595)	—
Balance at 31 December 2023	161,845	26,009	3,603	5,885	27,845	225,187

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	**Years ended 31 December** **2021** *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Operating activities				
Profit before taxation		47,622	39,177	46,948
Adjustments for:				
Depreciation of property, plant and equipment	*7(c)*	3,249	3,260	3,775
Depreciation of investment properties	*7(c)*	—	—	304
Depreciation of right-of-use assets	*7(c)*	—	—	12
Net gain on disposal of property, plant and equipment	*5*	—	(80)	—
Finance costs	*7(a)*	—	—	366
Impairment losses on trade receivables, lease receivables, other receivables and contract assets	*6*	3,853	10,149	5,344
Interest income on finance lease	*5*	(565)	(550)	(534)
Changes in working capital:				
Increase in inventories		(136)	(19)	(88)
Increase in contract assets		(82,334)	(91,612)	(13,946)
Increase in trade and bills receivables		(60,358)	(37,318)	(118,229)
Decrease/(increase) in prepayments, deposits and other receivables		5,747	(666)	1,286
Increase in trade and bills payables		89,029	90,658	44,315
Increase in accrued expenses and other payables		7,021	4,349	7,503
(Decrease)/increase in contract liabilities		(1,581)	381	3
Increase in restricted bank deposits		—	—	(3,794)
Cash generated from/(used in) operations		11,547	17,729	(26,735)
Income tax paid	*25(a)*	(380)	(6,579)	(6,865)
Net cash generated from/(used in) operating activities		11,167	11,150	(33,600)

	Note	Years ended 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Investing activities				
Payments for the purchase of property, plant and equipment		(3,498)	(8,343)	(1,442)
Proceeds from disposal of property, plant and equipment, net of transaction costs		—	80	—
Rentals received		—	—	2,558
Payments for advances granted to related parties		(11,610)	—	—
Payments for advances granted to third parties		(1,610)	(40,000)	—
Proceeds from repayment of advances granted to related parties		2,750	9,011	—
Proceeds from repayment of advances granted to third parties		1,296	40,000	8,184
Net cash (used in)/generated from investing activities		(12,672)	748	9,300
Financing activities				
Proceeds from capital contributions		998	—	10,000
Proceeds from bank loans	*20(b)*	—	—	30,000
Repayment of bank loans	*20(b)*	—	—	(10,000)
Advances received from third parties	*20(b)*	5,444	183	—
Advances received from related parties	*20(b)*	50	32,109	—
Repayment of advances received from third parties	*20(b)*	(5,876)	(843)	(5,396)
Repayment of advances received from related parties	*20(b)*	(1)	(32,220)	(209)
Payments for [REDACTED] costs in connection with the [REDACTED] of the Company's [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Interest paid	*20(b)*	—	—	(366)
Capital element of lease rentals paid	*20(b)*	—	—	(55)
Net cash generated from/(used in) financing activities		615	(3,010)	10,522
Net (decrease)/increase in cash and cash equivalents		(890)	8,888	(13,778)
Cash and cash equivalents at 1 January	*20(a)*	12,202	11,312	20,200
Cash and cash equivalents at 31 December	*20(a)*	11,312	20,200	6,422

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Tianjin Construction Development Group Co., Ltd. (天津建设发展集团股份公司, the "**Company**") (formerly known as Shanshengyuan Construction Co., Ltd. (山盛源建設有限公司)) was established in the People's Republic of China (the "**PRC**") on 4 November 2010 as a limited liability company under the laws of the PRC and was converted into a joint stock limited liability company on 6 June 2023.

The Company and its subsidiaries (together, the "**Group**") are principally engaged in construction businesses.

The statutory financial statements of the Company for the years ended 31 December 2021, 2022 and 2023 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The statutory financial statements of the Company for the year ended 31 December 2021 were audited by Tianjin Xingyuan Certified Public Accountants Co., Ltd. (天津星遠會計師事務所有限公司), and the statutory financial statements of the Company for the year ended 31 December 2022 were audited by Tianjin Xidi Limited Liability Certified Public Accountants (天津市希地有限責任會計師事務所). No audited statutory financial statements of the Company for the year ended 31 December 2023 were available as of the date of this report.

As at the date of this report, the Company had direct interests in the following subsidiaries, all of which are private companies:

Name of company	Place of establishment and business	Date of establishment	Particulars of registered/paid-in capital	Proportion of ownership interest held by the Company	Principal activities
Zhongjianke (Tianjin) Co. Limited *(Notes (i) and (ii))* 中建科(天津)有限公司	The PRC	24 March 2017	RMB50,000,000/ RMB15,000,000	100%	Property rental
Yujiacheng Trading Co. Limited *(Notes (i) and (ii))* 裕嘉程商貿有限公司	The PRC	1 March 2017	RMB50,000,000/Nil	100%	Sales of construction materials
Tianjin Binhai New Area Construction Engineering Co. Limited *(Notes (i) and (ii))* 天津濱海新區建設工程有限公司	The PRC	11 September 2020	RMB100,000,000/ Nil	100%	Construction for municipal, property and decoration projects

Notes:

(i) These entities were registered as limited liability companies under the laws and regulations in the PRC. The official names of the entities are in Chinese. The English translations are for identification only.

(ii) No audited statutory financial statements for the years ended 31 December 2021, 2022 and 2023.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards throughout the Track Record Period. The Group has not applied any new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2023, the details of which are set out in Note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The functional currency of the Company is Renminbi ("**RMB**"), which is the same as the presentation currency of the Historical Financial Information.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(g)(ii)).

(d) Investment property

Investment properties are land and/or buildings which are owned for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)(ii)). The depreciation policy is the same as that of property, plant and equipment (see Note 2(e)).

Depreciation is calculated to write off the cost of investment properties, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Investment properties	21 years

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Buildings and buildings improvements	20 years
Motor vehicles and other equipment	3–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(e) and 2(g)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(f)(i), then the Group classifies the sub-lease as an operating lease.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including trade receivables and deposits and other receivables);

— contract assets as defined in IFRS 15 (see Note 2(i)); and

— lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade receivables, deposits and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate; and

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, leases receivables and contract assets are always measured at an amount equal to lifetime ECLs.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(q)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— investment properties;

— property, plant and equipment;

— right-of-use assets; and

— investments in subsidiaries in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold or assigned to specific construction contracts, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment (see Note 2(e)) or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(q).

(i) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(q)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(g)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(j)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(p)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(j)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(q)(iv)).

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(i)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(g)(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(g)(i).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(s).

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

— temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will reverse in the be realised; such reductions are reversed when the probability of future taxable profits improves.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on construction and maintenance services under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The Group also typically agrees to a retention period for certain of the contract value which the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection. To the extent that the difference in timing arises for reasons other than the provision of finance, no financing component is deemed to exist.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(p)(ii).

(ii) Sales of goods or rights

Revenue is recognised when the customer takes possession of and accepts the products or rights. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(iii) Service income

For provision of services, the Group recognises revenue in the amount to which the Group has the right to invoice based on the value of performance completed on a monthly basis.

If contracts involve the provision of multiple services, the transaction prices are allocated to each performance obligation based on their relative stand-alone selling prices.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(g)(i)).

(v) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(r) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Other development expenditure is recognised as an expense in the period in which it is incurred.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Revenue recognition

As explained in policy Note 2(q), revenue from construction contracts are recognised over time. Such revenue and profit recognition on incomplete projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue 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 losses for receivables and contract assets

The management maintains a loss allowance for receivables and contract assets for estimated losses resulting from the inability of the customers and other debtors to make the required payments. The management bases the estimates on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and requires a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit or loss in future periods.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in construction businesses in the PRC.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by timing of revenue recognition is as follows:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by timing of revenue recognition			
— Overtime	274,944	259,144	308,299
— Point in time	—	28,816	11,138
	274,944	287,960	319,437

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the total revenue of the Group in the respective years are as follows. Details of concentrations of credit risk arising from largest debtors are set out in Note 27(a).

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	49,178	41,807	—
Customer B	55,800	*Note*	*Note*
Customer C	34,728	*Note*	—
Customer D	—	45,577	*Note*
Customer E	*Note*	94,505	66,600
Customer F	—	—	122,811
Customer G	—	—	43,733

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective years.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at each of the reporting date

The following table includes the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing construction contracts. The transaction price does not include any estimated amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 months.

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Remaining performance obligations expected to be satisfied	117,301	89,618	83,194

(b) Segment reporting

IFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, as for the purpose of making decisions about resources allocation and performance assessment, the Group's management reviews on the operating results of the Group as a whole, the Group has determined that it only has one operating segment during the Track Record Period.

The Group does not have assets or operation outside the PRC. The Group's revenue is generated from customers in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

5 OTHER NET INCOME

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net gain on sales of demolition right	3,284	—	—
Property management services	572	572	572
Interest income on finance lease	565	550	534
Interest income on bank deposits	21	25	20
Government grants	290	171	26
Net gain on disposal of property, plant and equipment	—	80	—
Others	(3)	(386)	(11)
	4,729	1,012	1,141

6 IMPAIRMENT LOSSES ON TRADE, LEASE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Impairment losses on trade and bills receivables	1,564	4,015	672
Impairment losses/(reversal of impairment losses) on lease receivables	35	34	(66)
Impairment losses on contract assets	2,121	3,505	7,406
Impairment losses/(reversal of impairment losses) on prepayments, deposits and other receivables	133	2,595	(2,668)
	3,853	10,149	5,344

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	—	—	366

(b) Staff costs

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	16,572	15,436	17,654
Contributions to defined contribution retirement schemes *(Note)*	1,915	1,765	2,146
	18,487	17,201	19,800

Note: The employees of the subsidiaries of the Group participate in defined contribution retirement benefit scheme managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes during the Track Record Period. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions. Contributions to the scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

(c) Other items

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment *(Note 12)*	3,249	3,260	3,775
Depreciation of investment properties *(Note 13)*	—	—	304
Depreciation of right-of-use assets *(Note 14)*	—	—	12
Research and development costs	11,028	10,152	8,309
Professional service fee in connection with the proposed initial [REDACTED] of the Company's [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost of inventories	97,522	89,172	68,775

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax *(Note 25(a))*			
Provision for the year	6,785	5,481	8,001
Deferred tax *(Note 25(b))*			
Origination and reversal of temporary differences	(577)	(1,394)	(2,098)
	6,208	4,087	5,903

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	47,622	39,177	46,948
Expected tax on profit before taxation, calculated at the rate applicable to profits *(Note (i))*	11,906	9,795	11,737
Tax effect of non-deductible expenses	240	78	168
Tax effect of unused tax losses and deductible temporary differences not recognised	—	28	505
Tax effect of utilisation of prior years' unused tax losses previously not recognised	(5)	(9)	(73)
Tax effect on additional deduction of research and development costs *(Note (iii))*	(1,673)	(2,166)	(2,143)
Effect of preferential tax rate and tax concessions *(Note (ii))*	(4,260)	(3,639)	(4,291)
Income tax expense	6,208	4,087	5,903

Notes:

(i) The Company and the subsidiaries of the Group established in the PRC are subject to the PRC Corporate Income Tax rate of 25% during the Track Record Period.

(ii) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("**HNTE**"), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria.

The Company was qualified as a HNTE and entitled to the preferential tax rate of 15% during the Track Record Period.

(iii) According to the relevant tax rules in the PRC, qualified research and development expenses are allowed for additional tax deduction based on 75%/100% of the relevant expenses during the Track Record Period.

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments of the directors and supervisors of the Company during the Track Record Period are as follows:

	Year ended 31 December 2021				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Mr. Zhao Kuanghua	—	280	90	49	419

	Year ended 31 December 2022				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Mr. Zhao Kuanghua	—	352	15	41	408

	Year ended 31 December 2023				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhao Kuanghua	—	362	—	44	406
Ms. Zhao Xiaorong	—	163	—	19	182
Mr. Li Kai	—	227	—	26	253
Mr. Yang Youhua	—	173	—	22	195
Mr. Ni Baqun	—	136	—	16	152
Non-executive director					
Mr. Wang Wenbin	—	164	—	21	185
Supervisors					
Ms. Wang Ling	—	150	—	17	167
Mr. Hu Shixin	—	102	—	12	114
Ms. Zhu Yiwei	—	43	—	5	48
	—	1,520	—	182	1,702

Notes:

(i) On 3 January 2019, Mr. Zhao Kuanghua was appointed as executive director of the Company.

(ii) On 5 June 2023, Mr. Li Kai, Ms. Zhao Xiaorong, Mr. Yang Youhua and Mr. Ni Baqun were appointed as executive directors of the Company. Prior to being the executive directors of the Company, the aggregate emoluments of Mr. Li Kai, Ms. Zhao Xiaorong, Mr. Yang Youhua and Mr. Ni Baqun for the period from 1 January 2023 to 4 June 2023 were RMB183,000, RMB131,000, RMB97,000 and RMB79,000, respectively.

(iii) On 5 June 2023, Mr. Wang Wenbin was appointed as a non-executive director of the Company and chairman of the Board. Prior to being the non-executive director of the Company, the aggregate emoluments of Mr. Wang Wenbin for the period from 1 January 2023 to 4 June 2023 were RMB135,000.

(iv) On 5 June 2023, Dr. Yan Bing, Mr. Yang Shitai and Mr. Tseung Yuk Hei Kenneth were appointed as independent non-executive directors of the Company. On 15 August 2023, Mr. Tseung Yuk Hei Kenneth resigned and Mr. Shiu Shu Ming was appointed as independent non-executive director of the Company.

(v) On 5 June 2023, Ms. Wang Ling, Mr. Hu Shixin and Ms. Zhu Yiwei were appointed as supervisors of the Company. Prior to being the supervisors of the Company, the aggregate emoluments of Ms. Wang Ling, Mr. Hu Shixin and Ms. Zhu Yiwei for the period from 1 January 2023 to 4 June 2023 were RMB80,000, RMB48,000 and RMB29,000, respectively.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors, supervisors and other employees included in the five highest paid individuals for the years ended 31 December 2021, 2022 and 2023 are set forth below:

	Years ended 31 December		
	2021	**2022**	**2023**
	Number of individuals	*Number of individuals*	*Number of individuals*
Directors	1	1	4
Other employees	4	4	1
	5	5	5

The emoluments of the directors and supervisors are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals during the Track Record Period are as followings:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	686	1,085	264
Discretionary bonuses	203	60	—
Retirement scheme contributions	96	131	34
	985	1,276	298

The emoluments of the individuals who are not directors or supervisors and who are amongst the five highest paid individuals of the Group are within the following band:

	Years ended 31 December		
	2021	**2022**	**2023**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil–Hong Kong dollar 1,000,000	4	4	1

During the Track Record Period, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share during the Track Record Period is based on the profit attributable to ordinary equity owners/shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue during the Track Record Period.

As described in Note 26(b)(ii), the Company was converted into a joint stock limited liability company and issued 150,000,000 shares with the par value of RMB1 each on 5 June 2023. For the purpose of computing basic earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock limited liability company was determined assuming the conversion into joint stock limited liability company had occurred on 1 January 2021.

Weighted average number of shares

	Years ended 31 December		
	2021	**2022**	**2023**
	Number of shares	*Number of shares*	*Number of shares*
Ordinary shares deemed to be in issue at 1 January	148,079,961	150,000,000	150,000,000
Effect of ordinary shares deemed to be issued *(Note 26(b)(i))*	378,747	—	—
Effect of ordinary shares issued *(Notes 26(b)(ii))*	—	—	2,614,092
Weighted average number of ordinary shares (deemed to be) in issue	148,458,708	150,000,000	152,614,092

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the Track Record Period. Hence, the diluted earnings per share is the same as basic earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and Buildings improvements	Motor vehicles and other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	48,380	4,017	52,397
Additions	1,737	286	2,023
At 31 December 2021 and 1 January 2022	50,117	4,303	54,420
Additions	1,210	4,893	6,103
Disposals	—	(454)	(454)
At 31 December 2022 and 1 January 2023	51,327	8,742	60,069
Additions	74	786	860
At 31 December 2023	51,401	9,528	60,929
Accumulated depreciation:			
At 1 January 2021	(4,379)	(1,336)	(5,715)
Charge for the year	(2,418)	(831)	(3,249)
At 31 December 2021 and 1 January 2022	(6,797)	(2,167)	(8,964)
Charge for the year	(2,501)	(759)	(3,260)
Written back on disposals	—	454	454
At 31 December 2022 and 1 January 2023	(9,298)	(2,472)	(11,770)
Charge for the year	(2,468)	(1,307)	(3,775)
At 31 December 2023	(11,766)	(3,779)	(15,545)
Net book value:			
At 31 December 2023	39,635	5,749	45,384
At 31 December 2022	42,029	6,270	48,299
At 31 December 2021	43,320	2,136	45,456

The Company

	Buildings improvements	Motor vehicles and other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	24,339	4,017	28,356
Additions	1,737	286	2,023
At 31 December 2021 and 1 January 2022	26,076	4,303	30,379
Additions	1,210	4,893	6,103
Disposals	—	(454)	(454)
At 31 December 2022 and 1 January 2023	27,286	8,742	36,028
Additions	74	374	448
At 31 December 2023	27,360	9,116	36,476
Accumulated depreciation:			
At 1 January 2021	(288)	(1,336)	(1,624)
Charge for the year	(1,275)	(831)	(2,106)
At 31 December 2021 and 1 January 2022	(1,563)	(2,167)	(3,730)
Charge for the year	(1,359)	(759)	(2,118)
Written back on disposals	—	454	454
At 31 December 2022 and 1 January 2023	(2,922)	(2,472)	(5,394)
Charge for the year	(1,244)	(1,237)	(2,481)
At 31 December 2023	(4,166)	(3,709)	(7,875)
Net book value:			
At 31 December 2023	23,194	5,407	28,601
At 31 December 2022	24,364	6,270	30,634
At 31 December 2021	24,513	2,136	26,649

13 INVESTMENT PROPERTIES

The Group and the Company

	Investment properties
	RMB'000
Cost:	
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	—
Additions	9,043
At 31 December 2023	9,043
Accumulated depreciation:	
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	—
Charge for the year	(304)
At 31 December 2023	(304)
Net book value:	
At 31 December 2023	8,739
At 31 December 2022	—
At 31 December 2021	—

The investment properties owned by the Group are situated in the PRC for capital appreciation. According to the property valuation report issued by an independent valuer, the fair value of the investment properties determined using market value approach at 31 December 2023 is RMB8,778,000.

14 RIGHT-OF-USE ASSETS

The Group

	Leasehold properties
	RMB'000
Cost:	
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	—
Additions	278
At 31 December 2023	278
Accumulated depreciation:	
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	—
Charge for the year	(12)
At 31 December 2023	(12)
Net book value:	
At 31 December 2023	266
At 31 December 2022	—
At 31 December 2021	—

The Company

	Leasehold properties
	RMB'000
Cost:	
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	27,811
Additions	278
At 31 December 2023	28,089
Accumulated depreciation:	
At 1 January 2021	(463)
Charge for the year	(1,391)
At 31 December 2021 and 1 January 2022	(1,854)
Charge for the year	(1,392)
At 31 December 2022 and 1 January 2023	(3,246)
Charge for the year	(1,401)
At 31 December 2023	(4,647)
Net book value:	
At 31 December 2023	23,442
At 31 December 2022	24,565
At 31 December 2021	25,957

The Group has obtained the right to use the properties as its offices through tenancy agreements. The Company has obtained the right to use the properties as its office through tenancy agreements with one of its subsidiaries. The leases run for an initial period of 2 to 20 years.

The Group does not have the option to renew and early terminate the lease and there are no significant restrictions or covenants imposed to the lease. None of the leases includes variable lease payments.

Details of the maturity analysis of lease liabilities are set out in Note 23.

15 LEASE RECEIVABLES

The Group and the Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total minimum lease payments receivables	15,308	15,308	12,958
Less: unearned finance income	(6,109)	(5,490)	(5,099)
	9,199	9,818	7,859
Less: loss allowance	(47)	(81)	(15)
	9,152	9,737	7,844
Less: current portion	(2,335)	(3,135)	(1,473)
	6,817	6,602	6,371

During the Track Record Period, through mutual agreement, the anticipated lease end dates for these finance lease receivables were August 2040. The effective interest rates on the finance lease receivables were 7.31%.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received at the end of each reporting period.

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	2,296	3,061	1,476
After 1 year but within 2 years	765	765	765
After 2 years but within 5 years	2,296	2,296	2,296
After 5 years	9,951	9,186	8,421
	15,308	15,308	12,958
Less: unearned finance income	(6,109)	(5,490)	(5,099)
	9,199	9,818	7,859

16 INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Investments in subsidiaries, at cost	15,000	15,000	15,000

17 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

The Group

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
Arising from performance under construction contracts			
— due from a related party	2,548	—	—
— due from third parties	127,022	221,182	235,128
	129,570	221,182	235,128
Less: loss allowance	(2,942)	(6,447)	(13,853)
	126,628	214,735	221,275
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade receivables" *(Note 18)*	90,630	123,933	232,497

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The contract assets that could be billed and settled within one year according to terms of the contracts with customers are classified as current assets. Otherwise, the contract assets are classified as non-current assets.

The amounts of revenue recognised/(reversed) during each of the years ended 31 December 2021, 2022 and 2023 from performance obligations satisfied (or partially satisfied) in previous periods, are RMB301,000, RMB8,400 and RMB(738,000) respectively, mainly due to the changes in estimate of the stage of completion.

Notwithstanding the terms of the contracts with customers, the directors consider that all of the amounts are expected to be billed within one year as at 31 December 2021, 2022 and 2023, except for the amounts of RMB54,508,000, RMB79,680,000 and RMB95,726,000, respectively, which are expected to be billed after more than one year.

The Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
Arising from performance under construction contracts			
— due from a related party	2,548	—	—
— due from third parties	127,022	205,315	229,915
	129,570	205,315	229,915
Less: loss allowance	(2,942)	(6,198)	(13,658)
	126,628	199,117	216,257
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade receivables" *(Note 18)*	90,630	97,975	204,555

(b) Contract liabilities

The Group and the Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
— due to third parties	365	746	749

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

Movements in contract liabilities

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	1,946	365	746
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(1,946)	(336)	(517)
Increase in contract liabilities as a result of billing in advance of construction activities and recognising revenue during the year	365	717	520
Balance at 31 December	365	746	749

All of the contract liabilities are expected to be recognised as revenue within one year, according to the contract term and working progress estimation.

18 TRADE AND BILLS RECEIVABLES

The Group

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables for contract work due from:			
— third parties	92,896	130,214	248,493
Bills receivables	50	50	—
	92,946	130,264	248,493
Less: loss allowance	(2,266)	(6,281)	(15,996)
	90,680	123,983	232,497

The Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables for contract work due from:			
— third parties	92,896	103,650	219,491
Bills receivables	50	50	—
	92,946	103,700	219,491
Less: loss allowance	(2,266)	(5,675)	(14,936)
	90,680	98,025	204,555

Ageing analysis

The ageing analyses of trade and bills receivables based on the invoice date and net of loss allowance, are as follows:

The Group

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	72,486	100,502	187,537
1 to 2 years	8,813	15,575	36,682
2 to 3 years	9,381	5,973	6,139
Over 3 years	—	1,933	2,139
	90,680	123,983	232,497

The Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	72,486	74,544	173,041
1 to 2 years	8,813	15,575	23,236
2 to 3 years	9,381	5,973	6,139
Over 3 years	—	1,933	2,139
	90,680	98,025	204,555

The Company generally requires customers to settle progress billings in accordance with contracted terms. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 27(a).

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Advances to third parties *(Note (i))*	8,184	8,184	—
Advances to staff	356	1,064	584
Advances to a related party *(Note (i))*	9,011	—	—
Value-added-tax recoverable	1,299	155	356
Prepayments for purchase of inventories and services	700	1,796	1,093
Deposits for construction contracts' bidding and performance	1,277	1,571	996
Prepayments for costs incurred in connection with the [REDACTED] of the Company's [REDACTED] *(Note (ii))*	[REDACTED]	[REDACTED]	[REDACTED]
Others	395	107	378
	[REDACTED]	[REDACTED]	[REDACTED]
Less: loss allowance	(362)	(2,957)	(289)
	[REDACTED]	[REDACTED]	[REDACTED]

The Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Advances to subsidiaries	119	649	20,486
Advances to third parties *(Note (i))*	8,184	8,184	—
Advances to staff	356	1,064	580
Advances to related parties *(Note (i))*	9,011	—	—
Value-added-tax recoverable	118	—	—
Prepayments for purchase of inventories and services	700	1,255	945
Deposits for construction contracts' bidding and performance	1,277	1,571	986
Prepayments for costs incurred in connection with the [REDACTED] of the Company's [REDACTED] *(Note (ii))*	[REDACTED]	[REDACTED]	[REDACTED]
Others	388	85	306
	[REDACTED]	[REDACTED]	[REDACTED]
Less: loss allowance	(362)	(2,957)	(289)
	[REDACTED]	[REDACTED]	[REDACTED]

All of the prepayments, deposits, and other receivables are expected to be recovered, recognised as expenses or transferred to equity within one year.

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) The balance at 31 December 2022 and 2023 will be transferred to the capital reserve account within equity upon the [REDACTED] of the Company's [REDACTED] on the [REDACTED] (the "**[REDACTED]**").

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	11,887	20,775	10,791
Less: restricted bank deposits *(Note (i))*	(575)	(575)	(4,369)
Cash and cash equivalents in the consolidated statements of financial position and consolidated statements of cash flows	11,312	20,200	6,422

The Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	11,642	20,658	10,751
Less: restricted bank deposits *(Note (i))*	(575)	(575)	(4,369)
Cash and cash equivalents	11,067	20,083	6,382

Note:

(i) The balance of restricted bank deposits as at 31 December 2023 mainly represent frozen bank deposits amounted to RMB3,794,000 by court due to a litigation against the Company, and security deposits placed at bank for letter of guarantee amounted RMB575,000, which would be released upon the letter of guarantee expires.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank loans	Amounts due to related parties	Amounts due to third parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	—	17,514	6,488	24,002
Changes from financing cash flows:				
Advances from third parties	—	—	5,444	5,444
Advances from related parties	—	50	—	50
Repayment to third parties	—	—	(5,876)	(5,876)
Repayment to related parties	—	(1)	—	(1)
Total changes from financing cash flows	—	49	(432)	(383)
At 31 December 2021 and 1 January 2022	—	17,563	6,056	23,619
Changes from financing cash flows:				
Advances from third parties	—	—	183	183
Advances from related parties	—	32,109	—	32,109
Repayment to third parties	—	—	(843)	(843)
Repayment to related parties	—	(32,220)	—	(32,220)
Total changes from financing cash flows	—	(111)	(660)	(771)
At 31 December 2022	—	17,452	5,396	22,848

	Bank loans	Amounts due to related parties	Amounts due to third parties	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	—	17,452	5,396	—	22,848
Changes from financing cash flows:					
Proceeds from bank loans	30,000	—	—	—	30,000
Repayment of bank loans	(10,000)	—	—	—	(10,000)
Repayment to third parties	—	—	(5,396)	—	(5,396)
Repayment to related parties	—	(209)	—	—	(209)
Capital element of lease rentals paid	—	—	—	(55)	(55)
Interest paid	(366)	—	—	—	(366)
Total changes from financing cash flows	19,634	(209)	(5,396)	(55)	13,974
Other changes:					
Interest expenses	366	—	—	—	366
Increase in lease liabilities from entering into new leases during the year	—	—	—	278	278
Loan capitalisation *(Note 26(b)(ii))*	—	(17,243)	—	—	(17,243)
Total other changes	366	(17,243)	—	278	(16,599)
At 31 December 2023	20,000	—	—	223	20,223

21 TRADE AND BILLS PAYABLES

The Group

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— due to third parties	140,811	231,469	269,934
Bills payables	—	—	5,850
	140,811	231,469	275,784

The Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— due to third parties	140,375	193,099	250,236
Bills payables	—	—	3,542
	140,375	193,099	253,778

The ageing analyses of trade and bills payables based on the invoice date, are as follows:

The Group

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	129,228	178,927	182,260
1 to 3 years	11,583	51,644	88,171
Over 3 years	—	898	5,353
	140,811	231,469	275,784

The Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	129,076	140,851	177,515
1 to 3 years	11,299	51,350	71,180
Over 3 years	—	898	5,083
	140,375	193,099	253,778

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

22 ACCRUED EXPENSES AND OTHER PAYABLES

The Group

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties *(Note (i))*	17,563	17,452	—
Amounts due to third parties *(Note (i))*	6,056	5,396	—
Payables for costs incurred in connection with the [REDACTED] of the Company's [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payables for staff related costs	3,501	3,809	4,824
Others	3,854	2,220	1,383
Financial liabilities measured at amortised cost	30,974	28,877	12,407
Other tax payables	5,077	8,582	15,390
	36,051	37,459	27,797

The Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to subsidiaries *(Note (i))*	3,307	10,539	4,039
Amounts due to related parties *(Note (i))*	270	159	—
Amounts due to third parties *(Note (i))*	5,996	5,335	—
Payables for costs incurred in connection with the [REDACTED] of the Company's [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payables for staff related costs	3,501	3,731	4,544
Others	3,854	2,220	1,357
Financial liabilities measured at amortised cost	16,928	21,984	16,140
Other tax payables	5,077	4,820	13,580
	22,005	26,804	29,720

Note:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's and Company's lease liabilities at the end of each reporting period:

The Group

	At 31 December 2023	
	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*
Within 1 year	81	89
After 1 year but within 2 years	142	145
	223	234
Less: total future interest expenses		(11)
Present value of lease liabilities		223

The Company

	At 31 December 2021		At 31 December 2022		At 31 December 2023	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,763	2,952	2,763	2,952	2,844	3,041
After 1 year but within 2 years	2,586	2,952	2,586	2,952	2,728	3,097
After 2 years but within 5 years	6,803	8,857	6,803	8,857	6,803	8,857
After 5 years	17,849	38,383	16,955	35,431	15,995	32,479
	27,238	50,192	26,344	47,240	25,526	44,433
	30,001	53,144	29,107	50,192	28,370	47,474
Less: total future interest expenses		(23,143)		(21,085)		(19,104)
Present value of lease liabilities		30,001		29,107		28,370

24 BANK LOANS

The Group and the Company

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Short-term bank loans:			
— Unguaranteed and unsecured	—	—	20,000

All of the Group's banking facilities were utilised as of 31 December 2023. Certain of the Group's bank loans is subject to the fulfilment of covenants commonly found in lending arrangement with financial institution. If the Group were to breach the covenants, the loan would become repayable on demand. The Group regularly monitors its compliance with the covenants. At 31 December 2023, none of the covenants relating to the bank loans had been breached.

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	Years ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Income tax payable at 1 January	239	6,644	5,546
Provision for the year *(Note 8(a))*	6,785	5,481	8,001
Income tax paid	(380)	(6,579)	(6,865)
Income tax payable at 31 December	6,644	5,546	6,682

(b) Deferred tax assets recognised

Movement of each component of deferred tax assets

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	Credit loss allowance on trade, lease and other receivables and contract assets
	RMB'000
At 1 January 2021	265
Credited to profit or loss *(Note 8(a))*	577
At 31 December 2021 and 1 January 2022	842
Credited to profit or loss *(Note 8(a))*	1,394
At 31 December 2022 and 1 January 2023	2,236
Credited to profit or loss *(Note 8(a))*	2,098
At 31 December 2023	4,334

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(o), the Group has not recognised deferred tax assets in respect of cumulative unused tax losses and deductible temporary differences arising from certain subsidiaries of the Group of RMB2,244,000, RMB2,320,000 and RMB4,050,000 as at 31 December 2021, 2022 and 2023, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The year of expiry of unused tax losses not recognised is as follows:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Year of expiry:			
2023	981	947	657
2024	1,263	1,263	1,263
2027	—	110	110
2028	—	—	1,620
	2,244	2,320	3,650

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

	Paid-in capital/share capital	Capital reserve	Statutory reserve	Special reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 26(b))	*(Note 26(d))*	*(Note 26(e))*	*(Note 26(f))*		
At 1 January 2021	77,000	—	1,454	2,024	5,204	85,682
Changes in equity for 2021:						
Profit and total comprehensive income for the year	—	—	—	—	40,446	40,446
Capital contributions by an equity owner *(Note 26(b)(i))*	998	—	—	—	—	998
Appropriation to reserves	—	—	3,549	4,965	(8,514)	—
At 31 December 2021 and 1 January 2022	77,998	—	5,003	6,989	37,136	127,126
Changes in equity for 2022:						
Profit and total comprehensive income for the year	—	—	—	—	30,018	30,018
Appropriation to reserves	—	—	2,439	5,622	(8,061)	—
At 31 December 2022 and 1 January 2023	77,998	—	7,442	12,611	59,093	157,144
Changes in equity for 2023:						
Profit and total comprehensive income for the year	—	—	—	—	41,025	41,025
Conversion into a joint stock company with limited liability *(Note 26(b)(ii))*	72,002	10,611	(7,442)	(11,718)	(63,453)	—
Capital contributions *(Note 26(b)(ii))*	4,348	5,652	—	—	—	10,000
Loan capitalisation *(Note 26(b)(ii))*	7,497	9,746	—	—	—	17,243
Appropriation to reserves	—	—	3,603	4,992	(8,595)	—
At 31 December 2023	161,845	26,009	3,603	5,885	28,070	225,412

(b) Paid-in capital/share capital

(i) Paid-in capital

For the purpose of the Historical Financial Information, the paid-in capital of the Group represents the paid-in capital of the Company before it was converted into a joint stock limited liability company. On 20 October 2021, an equity owner injected the paid-in capital of the Company amounted to RMB998,400.

(ii) Share capital

	Number of shares	**Amount**
	'000	*RMB'000*
Ordinary shares, issued and fully paid		
At 1 January 2023	—	—
Issuance of ordinary shares upon conversion into a joint stock company *(Note (i))*	150,000	150,000
Issuance of ordinary shares by capital contributions *(Note (ii))*	4,348	4,348
Issuance of ordinary shares by loan capitalisation *(Note (iii))*	7,497	7,497
At 31 December 2023	161,845	161,845

Notes:

(i) On 5 June 2023, the Company was converted into a joint stock limited liability company and issued 150,000,000 shares with a par value of RMB1 each.

(ii) In July 2023, the Company entered into a capital increase agreement with an independent investor, pursuant to which the investor made capital injection of RMB10,000,000 in the Company as consideration for subscription of 4,347,826 shares of the Company. RMB4,348,000 and RMB5,652,000 were credited in the Company's share capital and capital reserve account, respectively.

(iii) In October 2023, Mr. Wang Wenbin, Shengyuan Group Holdings (Tianjin) Co., Ltd. ("**Shengyuan Holding**"), Zhiweilai (Tianjin) Enterprise Management Co. Limited ("**Tianjin Zhiweilai**") and the Company entered into a loan assignment agreement, pursuant to which Mr. Wang Wenbin assigned the amounts of RMB13,411,000 due from the Company to Shengyuan Holding and the amounts of RMB3,832,000 due from the Company to Tianjin Zhiweilai, respectively. On 1 December 2023, the Company, Shengyuan Holding and Tianjin Zhiweilai entered into a loan capitalisation agreement, pursuant to which Shengyuan Holding and Tianjin Zhiweilai subscribed for 5,830,940 shares and 1,665,983 shares of the Company at the consideration of RMB13,411,000 and RMB3,832,000 by way of loan capitalisation, respectively. RMB7,497,000 and RMB9,746,000 were credited in the Company's share capital and capital reserve account, respectively.

(c) Dividends

No dividends have been declared by the Company and its subsidiaries during the Track Record Period.

(d) Capital reserve

The capital reserve comprises: (i) the differences between the [REDACTED] of [REDACTED] of ordinary shares and the share capital of the Company and (ii) the [REDACTED] received in excess of the total amount of the par value of shares [REDACTED] in relation to the conversion into a joint stock company as disclosed in Note 26(b).

(e) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Company and the Company's subsidiaries incorporated in the PRC are required to transfer 10% of their net profits each year to the statutory reserve until the reserve reaches 50% of the registered capital. The statuary reserve can be utilised in setting off accumulated losses or increase capital and is non-distributable other than in liquidation.

(f) Special reserve

Pursuant to the relevant PRC regulations, required to transfer production and maintenance funds at fixed rates based on relevant bases to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account to retained earnings.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements during the Track Record Period.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group is not exposed to significant currency risk.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, lease receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk. Deposits for construction contract's bidding and performance, advances to third parties, advances to staff, advances to a related party, other receivables and deposits (the "**Receivables**") have been included in prepayments, deposits and other receivables. The

Group has applied the general approach in IFRS 9 to measure the loss allowance for the receivables at 12-month ECLs as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for these assets by assessment of probability of default, loss given default and exposure at default. The Group does not provide any guarantees which would expose the Group to credit risk.

In order to manage the credit risk, the Group regularly monitor the collections of trade receivables and the certification process of projects to take follow-up actions on the balances of trade receivables and contract assets. The Group generally recognise trade receivables upon certifications granted by the customers or completion of settlement audit of projects under the payment terms of the contracts. Payment terms may vary for different customers and projects.

Trade receivables, lease receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate. At 31 December 2021, 2022 and 2023, 22.7%, 20.3% and 24.8% of the total trade receivables and contract assets, respectively, was due from the Group's largest debtor, and 48.0%, 57.5% and 55.8% of the total trade receivables and contract assets, respectively, was due from the five largest debtors. In order to manage the credit risk, the Group continuously monitor the level of exposure by ongoing review of credit records of customers to take follow-up actions on the balances of trade receivables and contract assets.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Trade receivables and contract assets for contract work are considered past due once billings have been made and revenue has been recognised, respectively. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables, lease receivables and contract assets at an amount equal to lifetime ECLs. The calculation of loss allowance for trade receivables, lease receivables and contract assets were carried out by an independent specialist (the "**Valuer**"), with experience in expected credit loss calculation. The loss allowance is estimated by taking into account the probability of default ("**PD**"), loss given default ("**LGD**"), exposure at default ("**EAD**") and forward looking information. The average PD and LGD adopted is the published data of construction industry by MOODY'S.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, lease receivables and contract assets as at 31 December 2021, 2022 and 2023:

	At 31 December 2021	
	Gross carrying amount	Loss allowance
	RMB'000	*RMB'000*
Current (not past due)	84,170	1,404
Within 1 year past due	115,191	2,409
1 to 2 years past due	20,925	791
2 to 3 years past due	11,379	651
	231,665	5,255

	At 31 December 2022	
	Gross carrying amount	Loss allowance
	RMB'000	*RMB'000*
Current (not past due)	74,109	1,281
Within 1 year past due	235,751	5,216
1 to 2 years past due	27,395	1,081
2 to 3 years past due	17,343	1,043
Over 3 years past due	6,616	4,188
	361,214	12,809

	At 31 December 2023	
	Gross carrying amount	Loss allowance
	RMB'000	*RMB'000*
Current (not past due)	50,894	1,059
Within 1 year past due	335,192	8,907
1 to 2 years past due	74,283	3,684
2 to 3 years past due	12,086	912
Over 3 years past due	19,025	15,302
	491,480	29,864

Movements in the loss allowance account in respect of trade receivables, lease receivables and contract assets during the Track Record Period are as follows:

	Years ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	1,535	5,255	12,809
Impairment losses recognised during the year	3,720	7,554	17,055
Balance at 31 December	5,255	12,809	29,864

Note:

(i) The impairment losses recognised are contributed to the origination of new trade receivables and contract assets net of those settled and the increase in days past due.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

At the end of each reporting period, the contractual maturities of the Group's financial liabilities other than lease liabilities (see Note 23) are on demand or within one year.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's bank loans and lease liabilities at fixed rates and cash at bank at variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk, respectively. Overall, the Group's exposure to interest rate risk is not significant.

(d) Fair value measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021, 2022 and 2023.

28 COMMITMENTS

Capital commitments outstanding at respective reporting period end dates not provided for in the Historical Financial Information were as follows:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	—	77	—

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,382	1,988	2,209
Discretionary bonuses	294	69	—
Retirement scheme contributions	188	239	275
	1,864	2,296	2,484

Total remuneration is included in "staff costs" (See Note 7(b)).

(b) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:

Names of related parties	Relationship
Mr. Wang Wenbin 王文彬	Ultimate controlling party
Ms. Dou Enyan 竇恩艷	The spouse of Mr. Wang Wenbin
Jiangshengyuan Construction Co., Ltd.* ("**Jiangshengyuan**") 江盛源建設有限公司	An entity controlled by Mr. Wang Wenbin's cousins

* The official name of this entity is in Chinese. The English translation of the name is for identification purpose only.

(c) Transactions with related parties during the Track Record Period

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Rendering of construction services to Jiangshengyuan	1,968	—	—
Advances received from Mr. Wang Wenbin	—	—	—
Advances received from Jiangshengyuan	50	32,109	—
Repayment of advances received from Mr. Wang Wenbin	(1)	(270)	—
Repayment of advances received from Jiangshengyuan	—	(31,950)	(209)
Payments for advances granted to Jiangshengyuan	(11,610)	—	—
Proceeds from repayment of advances granted to Jiangshengyuan	2,750	9,011	—

(d) Balances with related parties

The Group's balances with related parties as at the end of each reporting period are as follows:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature:			
Contract assets from Jiangshengyuan *(Note 17(a))*	2,548	—	—
Non-trade in nature:			
Amounts due from Jiangshengyuan *(Note 19)*	9,011	—	—
Amounts due to Mr. Wang Wenbin *(Note 22)*	17,513	17,243	—
Amounts due to Jiangshengyuan *(Note 22)*	50	209	—

All of the advances granted to and received from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

30 CONTINGENT LIABILITIES

The Company is named defendant on a lawsuit in respect of its construction business. As at the date of this report, the lawsuit is under review before the court, and the Company's bank deposits of RMB3,794,000 has been frozen by the court for this lawsuit. If the Company is found to be liable by the court, the total expected monetary compensation may amount to approximately RMB2,506,000 in addition to the payables of RMB1,288,000 recognised in the consolidated statement of financial position of the Group as at 31 December 2023. Based on legal advices and assessment from the directors of the Company, no provision has been provided in respect of this claim.

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2023, the directors consider the immediate holding Company of the Group to be Shengyuan Group Holdings (Tianjin) Co., Ltd., which is established in the PRC. This entity does not produce financial statements available for public use. At 31 December 2023 the directors consider the ultimate controlling party of the Group to be Mr. Wang Wenbin.

32 SUBSEQUENT EVENTS

There is no significant subsequent event after 31 December 2023.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2023

Up to date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards which are not yet effective for the accounting period beginning on 1 January 2023 and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting period beginning on or after
Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current liabilities with covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a sale and leaseback*	1 January 2024
Amendments to IAS 21, *Lack of Exchangeability*	1 January 2025
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of [REDACTED]. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2023.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from King Kee Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at January 31, 2024 of the property interests held by the Group.

King Kee Appraisal and Advisory Limited
Rm 1502–G16 Easey Comm Bldg,
253-261 Hennessy Road, Hong Kong

April 15, 2024

The Board of Directors
Tianjin Construction Development Group Co., Ltd.
Room 507, Building 13, Zone B1,
Corporate Headquarters Base, Zhongguancun Science Park
(former Ronghui Business District 3), Binhai,
Economic Technological Development Area,
Tianjin, PRC

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of Tianjin Construction Development Group Co., Ltd. (天津建设发展集团股份公司) (referred to as the "**Company**") for us to carry out the valuation of the property interests held by the Company and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest (the "**Report**") as at January 31, 2024 (the "**Valuation Date**").

BASIS OF VALUATION

In arriving at our opinion of a market value, we followed "The RICS Valuation — Global Standards" issued by The Royal Institution of Chartered Surveyors ("**RICS**") with reference to the "International Valuation Standards" published by the International Valuation Standards Council. Under the said standards, market value is defined as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

We have valued the property interests by the direct comparison approach assuming sale of the property interests in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or its legal adviser, Jingtian & Gongcheng ("**PRC Legal Adviser**") or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

TITLE INVESTIGATION

We have been provided with copies of the title documents relating to the properties but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the properties.

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and its legal adviser in respect of the title to the properties in the PRC.

SITE INSPECTION

Ms. Nancy Yang (our valuer with relevant experience over 9 years), inspected the exterior and, where possible, the interior of the properties on June 8, 2023. However, no structural survey has been made, but during our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation, or other structural defects. No test was carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect. Our valuations are prepared on the assumption that these aspects are satisfactory.We have not arranged for any investigation to be carried out to determine whether high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realized from piecemeal disposition of the property in the open market.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the Report. In addition, it is assumed that the utilization of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the Report.

No allowance has been made in our Report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the Valuation Date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the Valuation Date.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our Report are in Renminbi ("**RMB**"), the official currency of the PRC. Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
Richard Zhang
Managing Director
ASA MRICS CPV
For and on behalf of
King Kee Appraisal and Advisory Limited

Note: Mr. Richard Zhang is a chartered surveyor who has 29 years' experience in the valuation of properties in Mainland China, Hong Kong and the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Property held and self-occupied by the Group in the PRC

Group II: Property held for investment by the Group in the PRC

Group III: Property held for sale by the Group in the PRC

No.	Property	Market value in existing state as at the Valuation Date *RMB* Group I	Market value in existing state as at the Valuation Date *RMB* Group II	Market value in existing state as at the Valuation Date *RMB* Group III	Interest attributable to the Group	The total market value in existing state as at the Valuation Date *RMB*
1	A parcel of land and an industrial building located at No. 112, Dongting Road, Binhai New Area, Economic and Technological Development Zone, Tianjin, the PRC	45,361,000	8,547,000	—	100%	53,908,000
2	A commercial unit No. 1078, Buildings 26&27, Bishuizhuangyuan Community, Anyang Road, Central Business District, Binhai New Area, Tianjin, the PRC	—	—	4,238,000	100%	4,238,000
3	A commercial unit No. 202, Buildings 26&27, Bishuizhuangyuan Community, Anyang Road, Central Business District, Binhai New Area, Tianjin, the PRC	—	—	4,540,000	100%	4,540,000
	Total	**45,361,000**	**8,547,000**	**8,778,000**		**62,686,000**

VALUATION CERTIFICATE

Property No. 1	Description and tenure	Particulars of occupancy	Market value in existing state as at Valuation Date *RMB*
A parcel of land and an industrial building located at No. 112, Dongting Road, Binhai New Area, Economic and Technological Development Zone, Tianjin, the PRC	The property comprises a parcel of land with a site area of approximately 10,380.2 sq.m. and an industrial building with a total gross floor area of approximately 12,595.44 sq.m. erected thereon which was completed in about 1991. The land use rights of the property have been granted for a term of 50 years with the expiry date on September 20, 2041 for industrial use. The property is located at Dongting Road of Economic and Technological Development Zone in Tianjin, with approximately 7km to Tanggu Station and 43km to Binhai International Airport. The immediate locality is an industrial area with some low-rise buildings scattering along the main roads of the district. The property owned by Zhongjianke (Tianjin) Co. Ltd. ("**Tianjin Zhongjianke**"), a wholly-owned subsidiary of the Company with a total gross floor area of approximately 12,595.44 sq.m. have been rented to the Company for a term of 20 years commencing from September 1, 2020 and expiring on August 31, 2040 for industrial use. The monthly rent is approximately RMB268,177.91 as at the Valuation Date, but exclusive of water, electricity, gas and communication charges. The portions of the property with a total gross floor area of approximately 1,997.00 sq.m. have been sub-leased to various independent third parties for a term of 20 years commencing from September 1, 2020 and expiring on August 31, 2040 for office use. The total annual aggregate rent is approximately RMB834,304.68 as at the Valuation Date, inclusive of management fee, but exclusive of water, electricity, gas and communication charges.	As at the Valuation Date, portions of the property with a total gross floor area of approximately 1,997.00 sq.m. have been subleased to various third parties with the latest term expiring on August 31, 2040 for office use, whilst the remaining portion of the property with a total gross floor area of approximately 10,598.44 sq.m. was occupied by the Group for office purpose.	53,908,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Jin (2020) Development Zone Real Estate Title No. 1001377 (津(2020)開發區不動產權第1001377號), an industrial building with a total gross floor area of approximately 12,595.44 sq.m. is owned by Tianjin Zhongjianke. The relevant land use rights of the property with a site area of approximately 10,380.2 sq.m. have been granted to the Tianjin Zhongjianke, for a term of 50 years with the expiry date on September 20, 2041 for industrial use.

2. Pursuant to a Building Lease Agreement ("**Lease Agreement A**"), the property owned by Tianjin Zhongjianke with a total gross floor area of approximately 12,595.44 sq.m. have been rented to the Company for a term of 20 years commencing from September 1, 2020 and expiring on August 31, 2040 for industrial use. The monthly rent is approximately RMB268,177.91 as at the Valuation Date, but exclusive of water, electricity, gas and communication charges.

3. Pursuant to a certificate issued by the Tianjin Economic and Technological Development Zone Planning and Human Resources Bureau on June 19, 2023, (1) the property of Tianjin Zhongjianke located at No. 112 Dongting Road in the Development Zone (Real Estate Title Certificate — Jin (2020) Development Zone Real Estate Title No. 1001377 (津(2020)開發區不動產權第1001377號) is registered within the jurisdiction of the Tianjin Economic and Technological Development Zone Planning and Human Resources Bureau; (2) from January 1, 2020 to the date of issuance of the certificate, the Tianjin Economic and Technological Development Zone Planning and Human Resources Bureau has no record of administrative penalties related to land and planning imposed on Tianjin Zhongjianke; and (3) for the industrial land, compatible use is the development direction supported by the current urban renewal policy.

4. Pursuant to a certificate issued by the Housing and Construction Commission of Tianjin Binhai New Area on June 20, 2023, (1) the Company is an enterprise in Binhai New Area, and Tianjin Zhongjianke is a wholly-owned subsidiary of the Company; and (2) as of the date of issuance of the certificate, the Company and its subsidiary Tianjin Zhongjianke have not been subject to administrative penalties by the Commission for violating laws and regulations on construction and housing management.

5. Pursuant to the written undertaking made by Wang Wenbin and Dou Enyan dated on June 29, 2023, the actual controllers of the Company, if the Company, its subsidiaries or other lessees are ordered by the competent authorities to make corrections or make other requirements because the planned use of the housing is industrial, and then cannot continue to use the industrial building as office, Wang Wenbin and Dou Enyan, the actual controllers of the Company, agree to fully compensate the Company or its subsidiaries for all economic losses. If the Company or its subsidiaries are fined by the competent authorities for using the premises as office, the actual controllers of the Company, Wang Wenbin and Dou Enyan, agree to fully compensate the Company or its subsidiaries.

6. Pursuant to a Credit Report No. 202402010841271706748087 on Public Credit Report of Tianjin Legal Persons and Unincorporated Organizations issued by the Tianjin Public Credit Center on February 1, 2024, Tianjin Zhongjianke has no records of violations of laws and regulations in planning and natural resources and housing and urban-rural construction after verification between January 1, 2023 and January 2, 2024.

7. As of the Latest Practicable Date, while the property was planned for industrial use, the industrial building was actually used by Tianjin Zhongjianke, a wholly owned subsidiary and rented to the Group as well as certain tenants for office purposes. As advised by the PRC Legal Adviser, the actual use of the property was not in line with its planned use, according to relevant rules of the Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法), a property shall not be leased if its usage is changed in violation of applicable regulations. If a property is leased in violation of the above requirement, the competent construction (real estate) administrative authority may urge the violator to

make corrections within a specified time limit, and impose a fine below RMB5,000 if no illegal gains have been obtained, or a fine between 3 and 5 times of the illegal gains but below RMB30,000 if illegal gains have been obtained.

8. Pursuant to 2 Building Lease Agreements ("**Lease Agreement B**"), portions of the property with a total gross floor area of approximately 1,997.00 sq.m. were leased to various independent third parties for a term of 20 years commencing from September 1, 2020 and expiring on August 31, 2040 for office use. The total annual aggregate rent is approximately RMB834,304.68 as at the Valuation Date, but exclusive of water, electricity, gas and communication charges. The total annual aggregate management fee is approximately RMB623,505.32.

9. We have identified and analyzed various relevant industrial buildings in the locality which have similar characteristics as the subject property such as nature, use, tenure and accessibility. The selected comparables located in similar locality which were transacted in January 2024. The unit rate of these comparable ranges from about RMB4,000 to RMB4,590 per sq.m. on gross floor area basis. Appropriate adjustments and analysis are considered to the differences in location, size, time and other characters between the comparable properties and the subject property to arrive at our assumed unit rate of about RMB4,280 per sq.m. on gross floor area basis.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

    a. Tianjin Zhongjianke legally and effectively held the land use rights of the real estate ownership certificate specified, and may occupy, use or otherwise dispose of such land use rights belonging to Tianjin Zhongjianke in accordance with the law, and there is no mortgage, guarantee or other third-party rights on such land use rights belonging to Tianjin Zhongjianke;

    b. Tianjin Zhongjianke legally and effectively own the ownership of the building under the real estate ownership certificate, and have the right to occupy, use, rent, transfer, mortgage or otherwise dispose of such building in accordance with the law, and there is no mortgage, guarantee or other third-party rights in such building;

    c. the Planning and Natural Resources Bureau of Tianjin Economic and Technological Development Zone and the Housing and Construction Committee of Tianjin Binhai New Area are the competent departments for the planning and housing management of the property, and they have the right to issue the above certificates (above notes 3 & 4);

    d. the Lease Agreement A signed between the Company and Tianjin Zhongjianke, and the Lease Agreement B signed between the Company and the independent third parties are legally binding on the contracting parties, and such leases are legal and valid;

    e. according to the Notice issued by the Tianjin Development and Reform Commission on July 21, 2023 (天津市關於推行市場主體以公共信用報告代替無違法違規證明的實施方案), locally registered market entities in Tianjin may issue a public credit report (a special version for no violations of laws and regulations) to prove whether they have any records of violations of laws and regulations within the administrative area of Tianjin. Where administrative organs need a market entity to issue a certificate of no violations of laws or regulations, the market entity may choose to replace the original relevant certificate with a public credit report (a special version for no violations of laws or regulations);

    f. based on the relevant certificates (above notes 3 & 4), the credit report and the written undertakings made by Wang Wenbin and Dou Enyan, the actual controllers of the Company, the risk for the Company and its subsidiaries to have a material adverse effect due to the fact that the planned use of the property in Lease Agreement A is industrial and cannot continue to use the property for office purpose fines imposed in this respect is relatively low; and

g. based on the relevant certificates (above notes 3 & 4), the credit report and the written undertakings made by Wang Wenbin and Dou Enyan, the actual controllers of the Company, the risk for the Company and its subsidiaries to have a material adverse effect due to the fact that the planned use of the properties in Lease Agreement B is industrial or fines imposed in this respect is relatively low.

11. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the Valuation Date in its existing state is set out as below:

Group	**Market value in existing state as at the Valuation Date** *RMB*
Group I — Property held and self-occupied by the Group in the PRC	45,361,000
Group II — Property held for investment by the Group in the PRC	8,547,000
Total	**53,908,000**

VALUATION CERTIFICATE

Property No. 2	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at Valuation Date** *RMB*
A commercial unit No. 1078, Buildings 26&27, Bishuizhuangyuan Community, Anyang Road, Central Business District, Binhai New Area, Tianjin, the PRC	The property comprises a commercial unit on level 1 of Buildings 26&27 with a gross floor area of approximately 200.49 sq.m. within a 24-storey residential building completed in about 2015. The land use rights of the property have been granted for a term of 40 years with the expiry date on August 30, 2044 for commercial use. The property is located at Anyang Road of Central Business District in Tianjin, with approximately 4km to Binhai Station and 50km to Binhai International Airport. The immediate locality is Central Business District with some high-rise commercial and residential buildings scattering along the main roads of the district.	As at the Valuation Date, the property is currently vacant.	4,238,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Jin (2023) Binhai New Area Central Business District Real Estate Title No. 0516678 (津(2023)濱海新區中心商務區不動產權第0516678號), a property with a gross floor area of approximately 200.49 sq.m. is owned by the Company.

2. The relevant land use rights of the property have been granted to the Company for a term of 40 years with the expiry date on August 30, 2044 for commercial use.

3. Pursuant to an enforcement ruling from the Tianjin Binhai New Area People's Court dated on September 29, 2018 — (2018) Jin 0116 Zhi Hui No. 20067, the property with a gross floor area of approximately 200.49 sq.m. had been valued to Tianjin Shanshengyuan Construction Co., Ltd (the company's predecessor) as debt for RMB5,690,500.

4. For the property on the first floor, we have identified and analyzed various relevant commercial units in the locality which have similar characteristics as the subject property such as nature, use, tenure and accessibility. The selected comparables located in similar locality which were transacted between December 2023 and January 2024. The unit rate of these comparables ranges from about RMB20,700 to RMB22,500 per sq.m. on gross floor area basis. Appropriate adjustments and analysis are considered to the differences in location, size, time and other characters between the comparable properties and the subject property to arrive at our assumed unit rate of about RMB21,140 per sq.m. on gross floor area basis.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

    a. the Company legally and effectively held the land use rights belonging to the Company under the real estate ownership certificate specified, and is entitled to occupy, use or otherwise dispose of the land use rights belonging to the Company in accordance with the law, and there is no mortgage, guarantee or other third-party rights on the land use rights belonging to the Company; and

    b. the Company legally and effectively own the ownership of the building under the real estate ownership certificate, and is entitled to occupy, use, rent, transfer, mortgage or otherwise dispose of such building in accordance with the law, and there is no mortgage, guarantee or other third-party rights in such building.

6. For the purpose of this report, the property is classified into the group as "Group III — Property held for sale by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

Property No. 3	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at Valuation Date** *RMB*
A commercial unit No. 202, Buildings 26&27, Bishuizhuangyuan Community, Anyang Road, Central Business District, Binhai New Area, Tianjin, the PRC	The property comprises a commercial unit on level 2 of Buildings 26&27 with a gross floor area of approximately 268.50 sq.m. within a 24-storey residential building completed in about 2015. The land use rights of the property have been granted for a term of 40 years with the expiry date on August 30, 2044 for commercial use. The property is located at Anyang Road of Central Business District in Tianjin, with approximately 4km to Binhai Station and 50km to Binhai International Airport. The immediate locality is Central Business District with some high-rise commercial and residential buildings scattering along the main roads of the district.	As at the Valuation Date, the property is currently vacant.	4,540,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Jin (2023) Binhai New Area Central Business District Real Estate Title No. 0520146 (津(2023)濱海新區中心商務區不動產權第0520146號), a property with a gross floor area of approximately 268.50 sq.m. is owned by the Company.

2. The relevant land use rights of the property have been granted to the Company for a term of 40 years with the expiry date on August 30, 2044 for commercial use.

3. Pursuant to an enforcement ruling from the Tianjin Binhai New Area People's Court dated September 29, 2018 — (2018) Jin 0116 Zhi Hui No. 20067, the property with a gross floor area of approximately 268.50 sq.m. had been valued to Tianjin Shanshengyuan Construction Co., Ltd (the Company's predecessor) as debt for RMB4,949,500.

4. For the property on the second floor, we have identified and analyzed the first commercial unit mentioned in note no. 4 of property no. 2, which has similar characteristics as the subject property such as nature, use, tenure and accessibility. Appropriate adjustments and analysis are considered to the differences in floor, size and other characteristics between the property no. 2 and the subject property to arrive at our assumed unit rate of about RMB16,910 per sq.m. on gross floor area basis.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. the Company legally and effectively held the land use rights belonging to the Company under the real estate ownership certificate specified, and is entitled to occupy, use or otherwise dispose of the land use rights belonging to the Company in accordance with the law, and there is no mortgage, guarantee or other third-party rights on the land use rights belonging to the Company; and

   b. the Company legally and effectively own the ownership of the building under the real estate ownership certificate, and is entitled to occupy, use, rent, transfer, mortgage or otherwise dispose of such building in accordance with the law, and there is no mortgage, guarantee or other third-party rights in such building.

6. For the purpose of this report, the property is classified into the group as "Group III — Property held for sale by the Group in the PRC" according to the purpose for which it is held.

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no legal or tax comments or suggestions will be made accordingly. The discussion has no intention to deal with all possible tax consequences resulting from the [REDACTED] in H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an [REDACTED] in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is fully subject to change or adjustment and may have retrospective effect.

No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. [REDACTED] are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

THE PRC TAXATION

Taxation on Dividends

Individual [REDACTED]

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was promulgated on September 10, 1980 and most recently amended on August 31, 2018 by the Standing Committee of the National People's Congress (the "**NPC**"), and came into effect on January 1, 2019, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended by the State Council on December 18, 2018 and came into effect on January 1, 2019 (collectively the "**IIT Law**"), dividends distributed by PRC enterprises are generally subject to a withholding individual income tax levied at a flat rate of 20%. Moreover, pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (《財政部、國家稅務總局、證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the Ministry of Finance (the "**MOF**"), the State Taxation Administration (the "**STA**") and CSRC on September 7, 2015, where an individual acquires stocks of a listed enterprise from public offering of the enterprise or from the stock transfer market and holds the stocks for more than one year, the income from dividends distributed by the enterprise shall be exempt from individual income tax for the time being; if the individual holds the stocks for one month or less, the income from dividends distributed by the enterprise shall be fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends distributed by the enterprise shall be taxable; the aforesaid income is subject to an individual income tax at a flat rate of 20%.

For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. Indeed, the withholding tax rate for dividends of non-resident individuals may be lower than 20% under certain circumstances. However, pursuant to the Circular of the MOF and the STA on Issues Concerning Individual Income Tax Policies (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), the income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise is exempt from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of the State Council on Approving and Relaying the Several Opinions of the National Development and Reform Commission and Other Departments on Deepening Reform of the Income Distribution System (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Deepening the Division of Key Work for Income Distribution System Reform (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). Pursuant to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the STA should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the STA.

Pursuant to the Notice of the STA on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 045) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the STA on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, normally withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region 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》) signed by the Central People's Government of Mainland of China and the Government of the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10%

of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region 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〉第五議定書》) issued by The STA and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise [REDACTED]

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions 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》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (collectively the "**EIT Law**"), a non-resident enterprise is generally subject to a 10% enterprise income tax (the "**EIT**") on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. The withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation. Notice of the STA on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was promulgated by the STA and came into effect on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. The Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) that was promulgated by the STA on July 24, 2009, further provides that any Chinese resident enterprise listed on any overseas stock exchange must withhold EIT at a rate of 10% on dividends distributed to non-Chinese resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region 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》) signed by the Central People's Government of Mainland of China and the Government of the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong

Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region 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税和防止偷漏税的安排〉第五議定書》) issued by the STA and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Tax Treaties

Non-resident [REDACTED] residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納税人享受協定待遇管理辦法》), which was promulgated by the STA on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and be subject to subsequent administration by tax authorities.

Taxation on Share Transfer

Value-added Tax and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業税改徵增值税試點的通知》) (the "**Circular 36**"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to value-added Tax ("**VAT**") and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge.

Income Tax

Individual [REDACTED]

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the STA on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The STA has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

However, on December 31, 2009, the MOF, STA and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on January 1, 2010, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise [REDACTED]

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Tax policies for Shanghai — Hong Kong Stock Connect

On October 31, 2014, the MOF, the STA and the CSRC jointly promulgated the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (the "**Shanghai — Hong Kong Stock Connect Taxation Policy**"). Pursuant to the Shanghai — Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai — Hong Kong Stock Connect is included in their total income and EIT is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai — Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. Among them, EIT will be exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

Pursuant to the Announcement on Continued Implementation of Individual Income Tax Policies Relating to Interconnection Mechanism for Transactions in Shanghai — Hong Kong Stock Markets and Shenzhen — Hong Kong Stock Markets and Mutual Recognition of Funds Between the Mainland of China and the Hong Kong Special Administrative Region (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) that came into effect on December 5, 2019 and already expired, from December 5, 2019 to December 31, 2022, the income from the transfer price difference obtained by individual investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect is exempt from individual income tax. For dividends and bonus obtained by individual investors of the Mainland of China investing in H-shares listed on the Hong Kong Stock Exchange through Shanghai — Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (the "**CSDCC**") for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China. The H-share companies shall withhold individual income tax at a rate of 20%. According to the Announcement on the Extension of Relevant Preferential Policies for Individual Income Tax (《關於延續實施有關個人所得稅優惠政策的公告》) issued by MOF and the STA on January 16, 2023 and the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen- Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on 21 August 2023 and implemented on the same date, the above-mentioned individual income tax policy shall continue to apply during the period from January 1, 2023 to December 31, 2027.

Tax policies for Shenzhen — Hong Kong Stock Connect

On November 5, 2016, the MOF, the STA and the CSRC jointly issued the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (the "**Shenzhen — Hong Kong Stock Connect Taxation Policy**"). Pursuant to the Shenzhen — Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen — Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the Mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen — Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. EIT is exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

Pursuant to the Announcement on Continued Implementation of Individual Income Tax Policies Relating to Interconnection Mechanism for Transactions in Shanghai — Hong Kong Stock Markets and Shenzhen — Hong Kong Stock Markets and Mutual Recognition of Funds Between the Mainland of China and the Hong Kong Special Administrative Region (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) that came into effect on December 5, 2019 and already expired, from December 5, 2019 to December 31, 2022, the income from the transfer price difference obtained by individual investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen — Hong Kong Stock Connect are exempt from individual income tax. For dividends and bonus obtained by individual investors of the Mainland of China investing in the H Shares listed on the Hong Kong Stock Exchange through Shenzhen — Hong Kong Stock Connect, the H-share companies shall apply to the CSDCC for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China, and the H-share companies shall withhold individual income tax at a rate of 20%. Pursuant to the Announcement on the Extension of Relevant Preferential Individual Income Tax Policies (《關於延續實施有關個人所得稅優惠政策的公告》) that came into effect on January 16, 2023 and the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen- Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on 21 August 2023 and implemented on the same date, the preferential IIT policies stated in the Announcement on Continued Implementation of Individual Income Tax Policies Relating to Interconnection Mechanism for Transactions in Shanghai — Hong Kong Stock Markets and Shenzhen — Hong Kong Stock Markets and Mutual Recognition of Funds Between the Mainland of China and the Hong Kong Special Administrative Region shall continue to be in effect from January 1, 2023 to December 31, 2027.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》) promulgated on June 10, 2021 which took effect on July 1, 2022, the entities and individuals that conclude taxable certificates, or conduct securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the provisions of this law; where entities or individuals, outside the territory of the PRC, conclude taxable certificates that are used within the territory of the PRC, they shall pay stamp tax in accordance with the provisions of this law. Thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (the "**SAFE**"), with the authorization of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations. The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996, implemented on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items. Consequently, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but remains to be not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE or its local counterparts is obtained.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decision of the State Council on Cancelling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of the SAFE at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE, implemented on June 9, 2016 and was amended on December 4, 2023, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions.

The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations. The Circular on Issues Concerning the Administration of Foreign Exchange in Offshore Investments and Financing and Return Investments by Domestic Residents through Special Purpose Vehicles (《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》) (the "**Circular 37**") was promulgated and implemented by the SAFE on July 4, 2014. According to Circular 37, domestic residents, individuals and entities shall apply to the SAFE for registration of foreign exchange for offshore investment before making contributions to special purpose vehicles with domestic and overseas legal assets or equities. In addition, any domestic resident who is a shareholder of an overseas special purpose vehicle shall complete the registration formality of foreign exchange alteration for offshore investment with the SAFE in a timely manner in the event of any change of significant matters of such overseas special purpose vehicle such as capital increase/decrease, equity transfer or swap, merge and spin-off.

The subsequent foreign exchange business (including remittance of profits and dividend) of a domestic resident who fails to comply with the registration requirements as set out in Circular 37 may be restricted. Domestic residents that have made contributions to special purpose vehicles with domestic and overseas legal assets or equities without the required registration of foreign exchange for offshore investment prior to the implementation of Circular 37 shall issue a letter of explanation to the SAFE containing specific reasons. The SAFE shall make a post-registration following the principles of legality and rationality and impose administrative penalties in case of suspected violation of the Regulations on Foreign Exchange Control of the PRC.

According to the Circular on Further Simplifying and Improving Policies for the Foreign Exchange Administration Applicable to Direct Investment (《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 issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks and the foreign exchange authorities shall indirectly regulate the foreign exchange registration of direct investment through banks. The banks that have obtained financial institution identification codes from foreign exchange authorities and have connected to the Capital Account Information System with the local foreign exchange authorities may directly handle the registration under Circular 37.

This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Taxation and Foreign Exchange" in Appendix IV to this document. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain of the material differences between PRC and Hong Kong company law, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC [REDACTED].

I. PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (hereinafter referred to as the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of ministries of the State Council, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (hereinafter referred to as the "**Legislation Law**"), the National People's Congress (hereinafter referred to as the "**NPC**") and the Standing Committee of The National People's Congress are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC. During the adjournment of the NPC, partial supplement and amendment shall be made to the laws as formulated by the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The NPC may authorize the Standing Committee of the NPC to enact relevant laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The People's Congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas. These local regulations shall comply with the Constitution, laws and administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization development, historical and cultural protection, and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provisions of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. Where the laws provide otherwise on the matters concerning the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts shall become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of the local regulations submitted for approval. Such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision shall be made by the standing committees of the people's congresses of provinces or autonomous regions for resolution. The people's congresses of national autonomous areas shall have the power to formulate autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office of the PRC and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, as well as the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate their rules and regulations based on the laws, administrative regulations and local regulations of relevant provinces, autonomous regions and municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities with districts and autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or abrogate any inappropriate laws enacted by its committee, and to abrogate any autonomous regulations and separate regulations as approved by its committee which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to abrogate any administrative regulations that contravene the Constitution or laws, to abrogate any local regulations that contravene the Constitution, laws or administrative regulations, and to abrogate any autonomous regulations and local regulations which have been approved by the Standing Committee of the NPC of the relevant provinces, autonomous regions or municipalities directly under the central government, but contravene the Constitution or the Legislation Law. The State Council has the power to alter or abrogate any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or abrogate any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or abrogate any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution or the Legislation Law, the power to interpret the laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, if the scope prescribed by laws needs to be further defined or supplementary provisions need to be made, the Standing Committee of the NPC shall interpret them or make provisions. Issues involving the specific application of laws in the trial work of the court shall be interpreted by the Supreme People's Court. Issues involving the specific application of laws in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the Standing Committee of The National People's Congress for interpretation or decision. Issues that do not involve the specific application of laws in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and ministerial rules which they have promulgated. At the regional level, the power to give interpretation of the local laws is vested in the regional legislative and administrative organs which promulgate such law.

II. PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法》(2018年修訂)), the PRC judicial system is made up of the Supreme People's Court, the local people's courts at all levels, and the special people's courts.

Local people's courts are divided into primary people's court, intermediate people's court and high people's court. High people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ in the PRC. It supervises the judicial work of the people's courts at all levels.

A people's court adopts the system in which the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if any errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at any level by the Supreme People's Court, or if such errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at a lower level by the people's court at a higher level, it has the authority to review the case itself or to refer to the people's court at a lower level to conduct a retrial. If such errors are identified in a legally effective judgment, ruling or mediation statement by the chief judge of all levels of the people's courts, and they consider a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as the "**Civil Procedure Law**") was adopted by the NPC on April 9, 1991 and amended on October 28, 2007, August 31, 2012, June 27, 2017, December 24, 2021 and September 1, 2023 respectively, and the latest revised Civil Procedure Law took effect on January 1, 2024. The Civil Procedure Law prescribes the conditions for instituting a civil action, the jurisdiction of a people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC shall comply with the Civil Procedure Law. A civil case is generally heard at the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at the place directly associated with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the place where the subject matter of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without a nationality, a foreign enterprise or organization is given the same litigation rights and obligations as a citizen and legal person of the PRC. Should a foreign court limit the litigation rights of a PRC citizen and enterprise, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or organization must engage a PRC lawyer if they need to engage a lawyer for the purpose of initiating an action or defending against litigation at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a PRC people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence, and conduct other actions on its behalf. A PRC people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or social and public interests of the PRC.

A party shall comply with a law-binding civil judgment or ruling, if any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same within two years. However, they may apply for an extension for the enforcement or revocation. If such party fails to satisfy a judgment as enforced and permitted by the court within the stipulated time, the court may, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not personally or whose property is not within the PRC may apply to a foreign court with the jurisdiction over the case for recognition and enforcement of such judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by a PRC people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court believes that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or national security or against its social and public interests.

III. THE PRC COMPANY LAW, TRIAL ADMINISTRATIVE MEASURES OF OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES AND THE GUIDELINES FOR THE ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company which is incorporated in the PRC and [REDACTED] on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

(i) The PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, and was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, respectively, and was latest revised on December 29, 2023 and will come into effect on July 1, 2024.

(ii) On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and relevant five guidelines, which came into force on March 31, 2023. The Trial Measures are designated in accordance with the Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities for trading. According to the Guidelines for the Applications of Regulatory Rules — Overseas Issuance and Listing

Category No.1 promulgated by the CSRC on February 17, 2023, direct issuance and listing by domestic companies shall abide by the relevant provisions of the Trial Measures and refer to the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

(iii) The Official Reply of the State Council on Adjusting the Application of Provisions to Matters Including the Notification Period for Convening Shareholders' Meetings by Overseas Listed Companies (Guo Han [2019] No.97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019] 97號)), which was promulgated by the State Council on October 17, 2019 and was implemented on the same date, pursuant to which, it was agreed that, for the companies registered in the PRC but listed overseas, the requirements on the notification period for convening a shareholders' general meeting, shareholders' rights to proposal, and the convening procedures shall be collectively governed by the relevant provisions of the PRC Company Law, and no longer be governed by Article 20 to 22 of the Special Regulations.

Below sets out a summary of the major provisions of the PRC Company Law, the Trial Measures and Guidelines for Articles of Association of Listed Companies:

1. General Provisions

A joint stock limited company refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The company shall bear the responsibility for its debts with all its assets, and the shareholders of a joint stock limited company shall bear responsibilities to the company within the scope of the number of shares they subscribe for.

2. Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must have residence within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up.

For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-up registered capital and minimum registered capital, the company shall comply with such provisions. For companies established by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for capital contributions under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association as well as other documents required by laws and administrative regulations with the company registration authorities.

Where companies are established by subscription, no less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must announce a share offering prospectus and prepare a share subscription form. Such offer shall be underwritten by security companies established according to law, with [REDACTED] to be entered into and agreements to be entered into with banks in relation to the receipt of subscription monies. After the subscription monies for the share issue have been paid in full, a capital verification institution established according to law must be engaged to conduct capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of full payment of subscription monies. The inauguration meeting shall be formed by the promoters and the subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank deposit rates for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authorities for registration of the establishment of the company.

A company's promoter shall be liable for the followings: (1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be established; (2) the refund of subscription monies paid by the subscribers together with interest at bank deposit rates for the same period jointly and severally if the company cannot be established; (3) the compensation of any damage suffered by the company as a result of the promoters' fault in the course of its establishment.

3. Share Capital

Shareholders may make capital contributions in cash, or non-monetary assets such as in kind, intellectual property rights and land use rights which can be appraised with monetary value and transferred lawfully, except for assets prohibited from capital contribution by laws and administrative regulations. For capital contributions made in non-monetary assets, a valuation of the assets contributed must be carried out to for verification without any overvaluation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. For shares subscribed by any organization or individual, the same price shall be paid for each share. The share offering price may be equal to or greater than the nominal value of the share, but not less than the nominal value.

A company that seeks to offer and list securities in overseas markets, is required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder register which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; (4) the date on which each shareholder acquired the shares.

4. Increase in Share Capital

Where a company issues new shares, resolutions shall be made at the shareholder's general meeting in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares, and the class and amount of the new shares proposed to be issued to existing shareholders.

To offer shares overseas, the domestic company shall file with the CSRC within three business days after submission of the application documents for offering and listing overseas.

5. Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of assets; (2) the reduction of registered capital must be approved by shareholders at the shareholders' general meeting; (3) the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed; (4) the creditors of the company may require the company to repay its debts or provide guarantees for the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if they fail to receive any notification; and (5) the company must apply to the company registration authorities for registration of such change.

6. Repurchase of Shares

In accordance with the PRC Company Law, a company shall not purchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company that holds its shares; (3) using shares for the employee stock ownership plan or as equity incentives; (4) a shareholder requesting the company to purchase its shares held by him/her since he/she objects to a resolution of the shareholders' general meeting on the combination or division of the company; (5) using shares for converting convertible corporate bonds issued by the listed company; (6) it is necessary for a listed company to protect its corporate value and the rights and interests of shareholders. A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) above shall be subject to a resolution of the shareholders' general meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) above may, pursuant to the provisions of the articles of association or the authorization of the shareholders' general meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing the Company's shares pursuant to the above provisions, the company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; under the circumstance set forth in item (2) or (4), transfer or cancel them within six months; or under the circumstance set forth in item (3), (5) or (6), hold an aggregate of no more than 10% of all the shares issued by the company and transfer or cancel them within three years.

Repurchase of the Company's shares by a listed company shall perform the obligation of information disclosure in accordance with the Securities Law of the PRC (the "**Securities Law**"). A listed company purchasing the Company's shares under any of the circumstances set forth in items (3), (5) and (6) of this article shall carry out trading in a public and centralized manner.

The Company shall not accept its own shares as the subject of a pledge.

7. Transfer of Shares

Shares held by shareholders may be transferred according to law. Under the PRC Company Law, shares held by promoters shall not be transferred within one year from the date of establishment of the company. Shares issued prior to the public offering of the company's shares cannot be transferred within one year from the [REDACTED] of such shares on a stock exchange. The directors, supervisors and senior management of the company shall notify the company of their holding of shares therein and changes of their shareholdings. The shares transferrable by them in each year of their tenures shall not exceed 25% of all their shares in the company. The shares in the company held by them are not transferable within one year from the date on which the company's shares are listed. The shares in the company held by them shall not be transferred within six months of their departure from the company. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

8. Shareholders

Under the PRC Company Law, the rights of shareholders include: (1) to transfer their shares according to law; (2) to attend or appoint a proxy to attend and vote at shareholders' general meetings; (3) to inspect the articles of association, share register, counterfoils of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (4) to receive dividends in respect of the number of shares held; (5) to participate in residual properties of the company in proportion to their shareholdings upon the liquidation of the company; (6) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of his or her share subscriptions, not to abuse their shareholders' rights to harm the interests of the company or other shareholders, not to abuse the independent status of the legal person of the company and the limited liability of shareholders to harm the interest of any creditor and any other shareholder obligation specified in the articles of association.

9. Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company that exercises its powers: (1) to decide on the company's operational objectives and investment plans; (2) to elect and replace the directors and supervisors that are not employee representatives, and to decide on the matters relating to the remuneration of directors and supervisors; (3) to consider and approve the reports of the board of directors; (4) to consider and approve the reports of the supervisory board; (5) to consider and approve the company's annual financial budgets and final accounts; (6) to consider and approve the company's profit distribution and loss recovery proposals; (7) to decide on any increase or reduction of the company's registered capital; (8) to decide on the issue of corporate bonds; (9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (10) to amend the company's articles of association; (11) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be convened once every year, and shall be held within six months after the end of the previous accounting year. An extraordinary general meeting is required to be convened within two months of the occurrence of any of the following: (1) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association; (2) the total outstanding losses of the company amounts to one-third of the company's total paid-up share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting; (4) the board deems necessary; (5) the supervisory board proposes to convene a meeting; (6) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman cannot or does not perform his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman cannot or does not perform his/her duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors cannot or does not perform its duties to convene the shareholders' general meeting, the supervisory board shall convene and preside over such meeting in a timely manner. If the supervisory board fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 consecutive days or more may unilaterally convene and preside over a shareholders' general meeting.

In accordance with the PRC Company Law, a notice of shareholders' general meeting stating the date and venue thereof and the matters to be considered thereat shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer shares, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Shareholders who separately or in aggregate hold over three percent of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the shareholders' general meeting is convened. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the shareholders' general meeting for consideration. The contents of the interim proposal shall fall within the scope of powers of the shareholders' general meeting, and shall have a clear agenda and specific matters to be resolved. The shareholders' general meeting shall not make any resolution in respect of any matter not set out in the notice. Holders of bearer shares who wish to attend a shareholders' general meeting shall deposit their share certificates with the company between five days before the meeting and its conclusion.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

A cumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the cumulative voting system, each share shall be entitled to the voting rights equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their votes when casting a vote.

Under the PRC Company Law, resolutions of the shareholders' general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and other matters must be approved by way of a resolution of the shareholders' general meeting, the board of directors shall convene a shareholders' general meeting promptly to vote on such matters.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting, and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and proxy forms.

According to the Guidelines for Articles of Association of Listed Companies, the increase or reduction of share capital, the division, merger, dissolution and liquidation of the company, amendments to the articles of association any purchase or sale of major assets or the provision of guarantees within any one year in an amount in excess of 30% of the Company's total assets as audited in the latest period, any equity incentive plan and any other matters, which, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved by way of a special resolution by more than two-thirds of the voting rights held by shareholders (including the proxies thereof) present at the meeting.

10. Board of Directors

The company shall have a board of directors composed of 5 to 19 members. Board members may include employee representatives, who shall be democratically elected by the company's employees at an employee representative assembly, general employee meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall exceed three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations and the articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors is accountable to the shareholders' general meeting and may exercise the following powers: (1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings; (2) to implement the resolutions adopted at the shareholders' general meetings; (3) to decide on the company's operational plans and investment proposals; (4) to formulate proposals for the company's annual financial budgets and final accounts; (5) to formulate the company's profit distribution and loss recovery proposals; (6) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds; (7) to formulate proposals for merger, division or dissolution of the company or change of corporate form; (8) to decide on the setup of the company's internal management organs; (9) to decide on the appointment or dismissal of the company's manager and his/her remuneration and, based on the manager's nomination, to decide on the appointment or dismissal of any deputy manager and financial officer of the company and their remuneration; (10) to formulate the company's basic management system; (11) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notices of such meetings shall be given to all directors and supervisors 10 days before the meetings are convened. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

The board of directors shall prepare minutes of the meetings of the board of directors and such minutes shall be signed by the directors present at the meeting. The directors shall be responsible for resolutions adopted by the board of directors. The directors adopting a resolution that contravenes laws, administrative regulations, the articles of association or resolutions of the shareholders' general meeting and results in severe losses to the company shall be liable to the company for compensation. However, a director may be exempt from such liability with the proof that he/she has expressed a disagreement which has been recorded in the minutes of the meeting.

Under the PRC Company Law, none of the following persons may serve as directors of the company: (1) persons without capacity or with limited capacity for civil acts; (2) persons who were sentenced for corruption, bribery, encroachment or embezzlement of properties or disruption of social or economic order, or persons who were deprived of political rights for committing a crime, and in each case, where five years have not lapsed following the serving of the sentence; (3) directors, factory heads or managers who bear individual responsibility for the bankruptcy or liquidation of their companies or enterprises where three years have not lapsed following the date of completion of such bankruptcy or liquidation; (4) the legal representatives of companies or enterprises that had their business licenses revoked and ordered to be closed for violation of the law, where such representatives bear individual responsibility and three years have not lapsed following the date of revocation of such business licenses; (5) persons with relatively significant individual debts that have not been settled upon maturity. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

In addition, the Guidelines for Articles of Association of Listed Companies further stipulates other circumstances under which a person is disqualified from acting as a director of a company, including: (1) a person who has been banned from the securities market by the CSRC where the relevant period remains unexpired; or (2) a person who is banned from doing so in accordance with other laws, administrative regulations or departmental rules.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties.

11. Supervisory Board

The company shall have a supervisory board composed of no less than three members. The supervisory board shall consist of shareholder representatives and an appropriate proportion of employee representatives of the company, with the proportion of such employee representatives no less than one-third subject to the articles of association. Employee representatives of the company at the supervisory board shall be democratically elected by the company's employees at the employee representative assembly, general employee meeting or otherwise.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. The directors and senior management may not act concurrently as supervisors.

The chairman of the supervisory board shall convene and preside over the meetings of the supervisory board. Where the chairman of the supervisory board cannot or does not perform his/her duties, the vice chairman of the supervisory board shall convene and preside over the meetings of the supervisory board. Where the vice chairman of the supervisory board cannot or does not perform his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over the meetings of the supervisory board.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with laws, administrative regulations and the articles of association until a re-elected supervisor takes office, if the re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board exercises the following powers: (1) to review the company's financial position; (2) to supervise directors and senior management in performing their company duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of shareholders' general meetings; (3) when the acts of a director or senior management member are detrimental to the company's interests, to require the director and senior management member to correct these acts; (4) to propose the convening of extraordinary general meetings and the convening and presiding over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meetings under the Law; (5) to submit proposals to the shareholders' general meeting; (6) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; (7) to undertake an investigation on discovering any irregularities in the operation of the Company and, where necessary, engage an accounting firm to assist in any such investigation at the expense of the Company; (8) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at the meetings of the board of directors and make inquiries or proposals in respect of the resolutions of the board of directors. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, engage an accounting firm to assist its work at the expense of the company.

12. Manager and Senior Management

Under the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, under the Guidelines for Articles of Association of Listed Companies, the manager shall be accountable to the board of directors and may exercise the following powers: (1) to manage the production, operation and administration of the company and to arrange for the implementation of the resolutions of the board of directors; (2) to arrange for the implementation of the company's annual operational plans and investment proposals; (3) to formulate proposals for the establishment of the company's internal management organs; (4) to formulate the basic management system of the company; (5) to formulate the company's basic rules and regulations; (6)

to recommend the appointment or dismissal of any deputy manager and financial officer of the company; (7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); (8) to exercise any other authority granted by the articles of association and the board of directors.

The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

13. Duties of Directors, Supervisors and Senior Management

Under the PRC Company Law, directors, supervisors and senior management shall comply with relevant laws, administrative regulations and the articles of association, and carry out their duties of fidelity and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

In addition, directors and senior management shall not: (1) misappropriate company funds; (2) deposit company funds into accounts under their own names or the names of other individuals; (3) loan company funds to others or provide guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the shareholders' general meeting or the board of directors; (4) enter into contracts or transactions with the company in violation of the articles of association or without approval of the shareholders' general meeting; (5) use their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operate business similar to that of the company for their own benefits or on behalf of others without approval of the shareholders' general meeting; (6) accept and possess commissions paid by others for transactions with the company; (7) disclose the confidential information of the company without its authority; (8) engage in other acts in violation of their duty of fidelity to the company. Income generated by directors or senior management in violation of the aforementioned shall be returned to the company.

A director, supervisor or senior management member who contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management member is required to attend a shareholders' general meeting, such director, supervisor or senior management member shall attend the meeting and answer inquiries from shareholders. Directors and senior management shall furnish relevant situations and information to the supervisory board in a truthful manner, without impeding the discharge of duties by the supervisory board.

Where a director or senior management member contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares for at least 180 consecutive days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisor violates laws or administrative regulations or the articles of association in the discharge of his/her duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving the written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in the event of an emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in his/her/their own name for the company's benefit. For other parties who infringe on the legitimate interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the above provisions. Where a director or senior management member contravenes any laws, administrative regulations or the articles of association in infringement on shareholders' interests, a shareholder may also institute litigation at a people's court.

The Guidelines for Articles of Association of Listed Companies provide that a company's directors, supervisors, managers and other senior management shall have the duty of loyalty and due diligence to the company. They shall faithfully perform their duties and protect the interests of the company without using their positions in the company for their own benefits.

14. Finance and Accounting

Under the PRC Company Law, the company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of competent financial authorities of the State Council. At the end of each accounting year, the company shall prepare a financial report audited by an accounting firm in accordance with laws. The company's financial and accounting reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial and accounting reports.

When distributing profits after taxation of the year, the company shall set aside 10% of its profits for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the profits of the current year shall first be used to cover the losses before any allocation is set aside for the statutory common reserve fund pursuant to the preceding provision. After making allocations to the statutory common reserve fund from its profits after taxation, the Company may, upon passing a resolution at a shareholders' meeting or shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company covers its losses and makes allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a shareholders' general meeting or the board of directors before losses are covered and allocations are made to the statutory common reserve fund in violation of the preceding requirements must be returned to the company. The company shall not distribute any profits in respect of the shares held by it.

The premium received through issuance of shares of the company at prices above par value and other incomes required by the financial authorities of the State Council to be allocated to capital reserve fund shall be allocated to the company's capital reserve fund. The company's reserve fund shall be applied to cover the losses of the company, expand its business operations or be converted to increase the capital of the company. However, the capital reserve fund shall not be used to cover the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

15. Appointment and Dismissal of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the shareholders' meeting, shareholders' general meeting or board of directors in accordance with the provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, shareholders' general meeting or board of directors of the company conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it engages, without any refusal, withholding or misrepresentation.

16. Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

17. Amendments to the Articles of Association

According to the PRC Company Law, a resolution at a shareholders' general meeting to amend a company's articles of association shall be passed by more than two-thirds of the shareholders with voting rights who attend the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the articles of association approved by the resolution of the general meeting of shareholders are subject to approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registration shall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

18. Dissolution and Liquidation

According to the PRC Company Law, a company may dissolve as a result of the following reasons: (1) the expiry of term of its operations set out in the articles of association, or the occurrence of other events of dissolution specified in the articles of association; (2) it is resolved in a shareholders' general meeting that the company shall resolve; (3) the company is dissolved by reason of a merger or division; (4) the business license is suspended or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all of the company's shareholders, on the grounds that the company suffers from significant hardship in its operation and the management that cannot be resolved through other means, and the ongoing existence of the company will bring significant losses to the shareholders.

In the event of (1) above, the company may carry on its existence by amending its articles of association. Amendments to the articles of association in accordance with the provisions set out above shall be passed by more than two-thirds of the shareholders with voting rights who attend the shareholders' general meeting. Where the company is dissolved in the circumstances described in (1), (2), (4), or (5) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days upon the occurrence of an event of dissolution. The liquidation committee shall compose the directors or the personnel appointed at the shareholders' general meeting. If a liquidation committee is not established to conduct liquidation within the stipulated period, the company's creditors may apply to a people's court and request the court to appoint relevant personnel to form a liquidation committee. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

A liquidation committee may exercise the following powers during the liquidation period: (1) to dispose the company's assets and to prepare a statement of assets and liabilities and an inventory of the assets; (2) to notify the company's creditors through notice or announcement; (3) to handle the company's outstanding businesses related to liquidation; (4) to settle all tax overdue as well as tax amounts arising from the process of liquidation; (5) to settle credits and pay off debts; (6) to handle the company's remaining assets after settling its debts; and (7) to represent the company in a civil lawsuit.

The liquidation committee shall notify the company's creditors within 10 days upon its establishment and publish an announcement on newspapers within 60 days. A creditor shall file his claim with the liquidation committee within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if they have not received any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any debt settlement with the creditors during the period of the claim.

Upon disposal of the company's assets and preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' general meeting or the people's court for verification. The company's remaining assets, after payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders according to the proportion of their shareholding. The company shall continue to exist during the liquidation period, it however cannot commence any operating activities that are not related to the liquidation. The company's assets shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's assets, and preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for declaration of bankruptcy in accordance with the laws. After the people's court has ruled that the company is declared bankrupt, the liquidation committee shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation of the company, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' general meeting or the people's court for verification. It shall also file with a company registration authority for deregistration of the company and declare the company dissolved by way of an announcement. Members of the liquidation committee are required to discharge their duties faithfully and in compliance with the laws. Members of the liquidation committee shall not take advantage of their powers and accept bribes or other unlawful income, nor misappropriate the company's assets. Members of the liquidation committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence are liable for making compensations to the company or its creditors.

In addition, the liquidation of a company which has declared bankrupt in accordance with the laws shall be subject to liquidation of bankruptcy in accordance with the laws on corporate bankruptcy.

19. Loss of Share Certificates

If a shareholder's share certificate(s) in registered form is stolen, lost, or destroyed, he may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people's court for declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) are no longer valid, the shareholder may apply to the company for issue of a replacement certificate(s).

20. Merger and Division

According to the PRC Company Law, in the case of a merger, a merger agreement shall be signed by all parties, and they shall prepare their balance sheets and inventory of assets. The company shall notify its creditors within 10 days upon the date of passing of the resolution which approves the merger, and announce the merger on a newspaper within 30 days. A creditor may request the company to settle any outstanding debts or provide guarantees accordingly within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if they have not received any notification. Where companies merge, the credits and debts of the merging parties shall be assumed by the surviving or the new company upon merging.

In case of a division, the company's assets shall be divided accordingly. The debts of the company which have accrued prior to the division shall be jointly borne by the divided companies, unless it is otherwise agreed by way of an agreement in writing with the creditors in respect of the settlement of debts before the company's division.

Changes in registration as a result of a merger or division shall be completed with a relevant registration authority in accordance with the laws. Where a company is dissolved or a new company is established, company deregistration or company registration shall be completed respectively in accordance with the laws.

21. Overseas Listing

Pursuant to the Trial Measures, both initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Moreover, where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within twenty business days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC website. Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplementation and amendment thereto within five business days after receiving the filing documents. The issuer shall then complete supplementation and amendment within thirty business days.

IV. SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a series of regulations in relation to issuance and trading of a company's shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC, and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for drafting regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, managing the trading of securities, preparing securities-related statistics and conducting relevant research and analysis. The State Council dissolved its Securities Committee and its duties were assumed by CSRC in 1998.

The Securities Law came into effect on July 1, 1999, and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, and the last revised Securities Law was implemented on March 1, 2020. The Securities Law is the first volume of national securities law in the PRC to fully regulate the activities in securities market in the PRC. It is divided into 14 chapters and 226 articles covering the issuance and trading of securities, the takeovers of listed companies, and the duties and responsibilities of stock exchanges, securities companies, securities registration and clearing institutions, and securities regulatory and administration authorities. Article 224 of the Securities Law provides that a domestic enterprise shall satisfy the relevant requirements set out by the State Council when they issue or list securities outside the PRC directly or indirectly. Currently, the issuance and trading of shares (including H Shares) outside the PRC are governed by the regulations and rules promulgated by the State Council and CSRC.

V. ARBITRATION AND ENFORCEMENT OF AN ARBITRAL AWARD

The Arbitration Law of the PRC (2017 Amendment) (hereinafter referred to as the "**Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, and came into effect on September 1, 1995, and was last amended on September 1, 2017 and implemented on January 1, 2018. It is applicable to the disputes relating to contracts and other properties in which the involved parties have entered into a written agreement to resolve the disputes by arbitration of an arbitration committee constituted in accordance with the Arbitration Law. The Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the Arbitration

Law and the Civil Procedure Law. Where the parties have reached an arbitration agreement, a people's court will refuse to handle a legal proceeding initiated by one party made to such people's court, unless the arbitration agreement is invalid.

The Listing Rules require that arbitration clauses shall be included in the articles of association of a company listed in Hong Kong, and the Listing Rules also require that arbitration clauses shall be included in contracts between the company and each of the directors or supervisors, such that in case of occurrence of any dispute or claim among the following parties, such dispute or claim shall refer to arbitration: (1) a holder of H Shares and a company; (2) a holder of H Shares and a holder of domestic shares; (3) a holder of H Shares and directors, supervisors or other management personnel of a company, which are disputes or rights of assertion in relation to the affairs of the company arising from rights and obligations as provided in the articles of association, the PRC Company Law and other relevant laws and administrative regulations concerning the affairs of the company.

Such parties may elect to refer such disputes or rights of assertion to arbitration at the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Disputes as defined by such shareholder and the disputes in relation to the company's register do not necessarily resolve by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award shall be final. Once an arbitral award is made, an arbitration committee or a people's court will refuse to accept the application for arbitration or prosecution filed to the people's court by a party regarding the same dispute. If either party fails to comply with the arbitral award, the other party to the award may apply to the people's court to enforce such arbitration award. However, the people's court may refuse to enforce an arbitral award made by the arbitration committee if there is a violation of the arbitration of procedures, including but not limited to the violation in the composition of the arbitration tribunal, or that matter of arbitration does not fall into the scope of the arbitration agreement, or that the arbitration committee is not entitled to carry out the arbitration.

VI. MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a [REDACTED] of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription.

Share Capital

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Any increase in the registered capital of a PRC company must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

The newly amended PRC Company Law effective on October 26, 2018 has no requirements for the minimum registered capital of a joint stock company. However, if laws, administrative regulations and State Council decisions provide otherwise on the paid-up registered capital and minimum registered capital of a joint stock company, such laws, administrative regulations and State Council decisions shall prevail. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. If laws and administrative regulations provide otherwise on the valuation, such laws and administrative regulations shall prevail. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau Special Administrative Region and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Hong Kong Stock Connect, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

If the application for "full circulation" conforms with relevant regulations of the CSRC and has been filed with the CSRC, the domestic unlisted shares of the H share listed company, after conversion into H shares, might be listed and circulated on the Hong Kong Stock Exchange. Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the [REDACTED] of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the [REDACTED] of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from the restriction on the Company to issue additional Shares within six months following the [REDACTED].

Financial Assistance for Acquisition of Shares

Under the Guidelines for Articles of Association of Listed Companies, neither the listed company nor any of its subsidiaries (including affiliates of the listed company) shall provide any support to any purchaser or would-be purchaser of company shares in any form such as a donation, advance, guarantee, subsidy or loan.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the

Application of the Notice Period for the Convening of Shareholders’ General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders’ meeting, the shareholder proposal right, and the procedures for convening a shareholders’ meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least fourteen (14) days before the meeting. The notice period for the annual shareholders’ general meeting is twenty-one (21) days.

Quorum for Shareholders’ Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders’ general meeting.

Under Hong Kong law, the quorum for a shareholders’ meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders’ Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders’ meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders’ general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Derivative Action by Minority Shareholders

Under Hong Kong company law, minority shareholders may start a derivative action against directors for their misfeasance committed against the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors for their misfeasance committed against the company in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. In the event that the supervisory board violates such requirements and causes losses to the Company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory board or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damage to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Guidelines for Articles of Association of Listed Companies provide other remedies against the Directors, Supervisors and senior management who breach their duties to the Company.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of all voting rights of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to the interests of shareholders, and no other alternatives can resolve such difficulties.

The Company, in accordance with the Guidelines for Articles of Association of Listed Companies, has adopted in its Articles of Association, effective from the [REDACTED] on the Hong Kong Stock Exchange, controlling shareholders and ultimate controllers of the Company shall not abuse their connected relationships to damage the Company's interests. Any losses caused to the Company arising from the violations thereof shall be compensated. Further, controlling shareholders and ultimate controllers of the Company shall have a duty of care to the Company and public company shareholders. Controlling shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of the Company or of public company shareholders in any way such as via the distribution of profits, an asset reorganization, external investments, the use of company funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or of public company shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and providing guarantees for directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Guidelines for Articles of Association of Listed Companies, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director shall be liable for making compensation.

Supervisory Board

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory board. There is no mandatory requirement for the establishment of a supervisory board for a company incorporated in Hong Kong.

The Guidelines for Articles of Association of Listed Companies provide that Supervisors shall abide by laws, administrative regulations and the Articles of Association, and shall owe fiduciary and due diligence duties to the Company. Supervisors shall not abuse their authority by accepting bribes or other illegal income, nor shall they convert company property.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

Under the Guidelines for Articles of Association of Listed Companies, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the PRC laws, a joint stock limited company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards and regulations, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the China accounting standards.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings, resolutions of the board of directors' meetings, resolutions of the supervisory board's meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Pursuant to the PRC Company Law, which was amended by the Standing Committee of the NPC and came into effect on October 26, 2018, merger, division, dissolution or changes to the form of a joint stock limited liability company shall be approved by shareholders representing over two-thirds of voting rights at the general meeting.

Special Withdrawal

Under the PRC Company Law, a company is required to appropriate a certain prescribed percentage of profits as the statutory reserve fund after allocating its after-tax profits for the year.

There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The PRC Company Law provides that in the event that a director or senior executive violates laws, administrative regulations or the articles of association of the company and infringes upon the interests of the shareholders, the shareholders may file a lawsuit with the People's Court.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau Special Administrative Region and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management shall be held liable to the company for such damages.

The Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

This Appendix contains a summary of the principal provisions of the Articles of Association adopted by the Company, which will become effective on the date on which the [REDACTED] are [REDACTED] on the Hong Kong Stock Exchange. The main purpose of this Appendix is to provide [REDACTED] with an overview of the Articles of Association of the Company, and therefore it may not contain all the information that is important for [REDACTED].

SHARES AND REGISTERED CAPITAL

Shares of the Company shall take the form of share certificates. The shares issued by the Company shall be denominated in RMB. The par value per share is RMB1.00.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the same rights.

Shares of the same class issued at the same time shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares for which it or he or she subscribes for.

INCREASE, DECREASE AND REPURCHASE OF SHARES

Capital Increase

The Company may, based on its business and development needs and in accordance with the laws and regulations, increase its capital in the following ways, subject to separate resolutions of the shareholders' general meeting:

1. Public offering of shares;
2. Non-public issuance of shares;
3. distributing bonus shares to its existing shareholders;
4. Conversion of capital reserve into share capital;
5. other means as is stipulated by laws, administrative regulations, or as approved by relevant regulatory authorities.

Capital reduction

The Company may reduce its registered capital. When the company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, the Listing Rules and other relevant regulations and the Articles of Association.

Shares repurchase

The Company shall not buy back its shares, except in one of the following circumstances:

1. reducing the registered capital of the Company;

2. merging with another company that holds shares in the Company;

3. using shares for employee stock ownership plan or equity incentives;

4. shareholders who object to resolutions of the general meeting on merger or division of the Company requesting the Company to buy back their shares;

5. to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

6. where it is necessary for the Company to preserve its value and shareholders' interest;

7. other circumstances recognized by laws, administrative regulations, departmental rules, normative documents, securities regulatory rules of the place where the Company's shares are listed and other relevant regulations.

The Company may repurchase its shares through public centralized trading or other methods recognized by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and relevant regulatory authorities.

Where the Company repurchases its shares under the circumstances set out in items 1 and 2 above, a resolution shall be passed at the general meeting of the Company. Where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6 above, a resolution may be passed at a Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or as authorised by the general meeting.

Where the Company repurchases its shares under the circumstances set out in item 1 above, such shares shall be cancelled within 10 days from the date of repurchase; where the Company repurchases its shares under the circumstances set out in items 2 and 4, such shares shall be transferred or cancelled within 6 months; where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or cancelled within 3 years.

Where relevant laws, regulations, normative documents and the securities regulatory rules of the place where the shares of the Company are listed provide otherwise, such provisions shall prevail.

Transfer of Shares

Shares of the Company held by the promoters shall not be transferred within one year from the date of establishment of the Company. Shares issued by the Company prior to the [REDACTED] of shares shall not be transferred within one year from the date on which the Company's shares are [REDACTED] and [REDACTED] on the [REDACTED].

Directors, supervisors and senior management of the Company shall declare to the Company their shareholdings in the Company and any changes thereof, and shall not transfer more than 25% of the total number of shares of the Company held by them each year during their terms of office; the shares of the Company held by them shall not be transferred within one year from the date on which the shares of the Company are listed and traded. The above personnel shall not transfer the shares of the Company held by them within half a year after they leave the Company.

If the Company's shareholders holding 5% (excluding the recognized clearing houses or their agents as defined in the relevant ordinances in force under the laws of Hong Kong from time to time) or above shares of the Company, Directors, Supervisors, senior management officers sell shares or other securities with an equity nature within six months after buying the same or buy shares or securities within six months after selling the same, the earnings arising therefrom shall belong to the Company and the Board shall recover such earnings. However, the restriction shall not be applicable to any sale of shares by a securities company holding 5% or above of the Company's shares as a result of its purchase and underwriting of the untaken shares after offering and other circumstances stipulated by CSRC.

The shares or other securities with an equity nature held by Directors, Supervisors, senior management officers and natural person shareholders referred to in the preceding paragraph include the shares or other securities with an equity nature held by their spouses, parents, children, and any of the above which is held by using others' accounts.

If the Company's Board does not comply with the provision of the first paragraph, the shareholders can request the Board to do so within 30 days. If the Board does not enforce such right within the aforesaid period, the shareholders are entitled to commence litigations in the people's court in their own names for the interests of the Company.

If the Company's Board does not enforce the provision of the first paragraph of this Article, the responsible Directors shall assume joint and severally liable in accordance with the laws.

REGISTER OF MEMBERS

The Company shall establish a register of shareholders in accordance with the evidence provided by the securities registration authority.

The Company shall enter into a share custody agreement with the share registrar, regularly enquire the information of substantial shareholders and the changes in shareholdings (including pledge of equity interests) of substantial shareholders, and keep abreast of the shareholding structure of the Company. The Company may, based on the understandings or agreements reached between the competent securities regulatory authority of the State and overseas securities regulatory authorities, keep the register of H Shares shareholders overseas and entrust overseas agencies to manage it. The original of register of holders of H Shares shall be maintained in Hong Kong; a copy of the register of shareholders of H shares shall be kept at the Company's domicile.

When the Company convenes a general meeting, distributes dividends, conducts liquidation or engages in other activities that require the confirmation of the identity of shareholders, the Board or the convener of the general meeting shall determine the record date. Shareholders whose names appear on the register of shareholders after the close of trading on the record date shall be the shareholders entitled to relevant interests.

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Shareholders of the Company shall enjoy the following rights:

1. to receive dividends and other distributions in proportion to the number of shares held;

2. to request, summon, preside over, attend or appoint a proxy to attend shareholders' general meetings in accordance with the laws, and to exercise the corresponding voting rights;

3. to supervise the operation of the Company, making suggestions or enquiries;

4. to transfer, give or pledge the shares held by them in accordance with the laws, administrative regulations and the Articles of Association;

5. to review the Articles of Association, the register of members, counterfoils of corporate bonds, minutes of general meetings, resolutions of the Board meetings, resolutions of the Supervisory Board meetings and financial and accounting reports;

6. in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in proportion to the number of shares held;

7. to request the Company to buy back the shares of shareholders objecting to resolutions of the general meeting concerning merger or division of the Company;

8. other rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

Shareholders of the Company shall assume the following obligations:

1. to abide by laws, administrative regulations and the Articles of Association;

2. to pay subscription monies according to the number of shares subscribed and the method of subscription;

3. not to make divestment unless in the circumstances stipulated by laws and regulations;

4. not to abuse the rights of shareholders to damage the interests of the Company or that of other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the Company;

5. other obligations imposed by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and cause losses to the Company or other shareholders shall be liable for compensation in accordance with the law. Shareholders of the Company who abuse the independent status of the Company as a legal person and the limited liability of shareholders to evade debts and seriously damage the interests of the creditors of the Company shall bear joint and several liabilities for the debts of the Company.

RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

The controlling shareholders and de facto controllers of the Company shall not use their connected relations to damage the interests of the Company. If the violation causes losses to the Company, it shall be liable for compensation.

The controlling shareholders and de facto controllers of the Company shall have fiduciary duties towards the Company and its public shareholders. The controlling shareholder shall exercise its rights as a capital contributor in strict compliance with the laws. The controlling shareholder shall not damage the legitimate rights and interests of the Company and public shareholders by means of profit distribution, asset restructuring, external investment, fund appropriation, loan guarantee, etc., and shall not use its controlling status to damage the interests of the Company and public shareholders.

GENERAL MEETING

General Provisions of General Meetings

The shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers:

1. to decide on the Company's business policies and investment plans;

2. to elect and replace directors and supervisors who are not employee representatives and to decide on matters relating to the remuneration of directors and supervisors;

3. to consider and approve the reports of the Board;

4. to consider and approve the report of the Supervisory Board;

5. to consider and approve the annual financial budgets and final accounts of the Company;

6. to consider and approve the Company's profit distribution plans and loss recovery plans;

7. to resolve on the increase or reduction of the registered capital of the Company;

8. to resolve on the issue of corporate bonds;

9. to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;

10. amendments to the Articles of Association;

11. to resolve on the appointment and dismissal of the accounting firm of the Company;

12. to consider and approve the guarantee matters stipulated in Article 48 of the Articles of Association;

13. to consider the purchase or disposal of material assets within one year with an amount exceeding 30% of the latest audited total assets of the Company;

14. to consider related party transactions required by laws, administrative regulations, departmental rules or the securities regulatory rules of the place where the Company's shares are listed to be decided by the general meeting;

15. to consider and approve the change in use of proceeds;

16. to consider share incentive schemes and employee share ownership schemes;

17. to resolve on the purchase of shares of the Company under the circumstances specified in Article 24, items (1) and (2) of the Articles of Association;

18. to consider other matters required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association to be decided by the general meeting;

19. The above-mentioned powers of general meeting shall not be exercised by the Board or other institutions or individuals by way of authorization. In addition to the above matters, the general meeting may authorise or entrust the Board and/or its authorised persons to handle the matters authorised or entrusted by it without violating the laws and regulations and the mandatory provisions of the relevant laws, regulations and regulatory rules of the place where the Company's shares are listed.

General meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months from the date of occurrence of any of the following circumstances:

(1) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the Articles of Association;

(2) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;

(3) when shareholders individually or jointly holding 10% or more of the Company's shares so request;

(4) when deemed necessary by the Board;

(5) when proposed by the Supervisory Board;

(6) other circumstances stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Summoning of General Meetings

General meetings shall be summoned by the Board.

The independent non-executive Directors are entitled to propose to the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, give a written reply on whether or not to convene the extraordinary general meeting within 10 days after receiving the proposal from the independent non-executive Directors.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. If the Board does not agree to convene the extraordinary general meeting, it shall explain the reasons and make an announcement.

The Supervisory Board shall have the right to propose to the Board to convene an extraordinary general meeting in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any changes to the original proposal made in the notice shall be approved by the Supervisory Board.

If the Board does not agree to convene the extraordinary general meeting or fails to give a reply within 10 days after receiving the proposal, the Board shall be deemed to be unable or fail to perform the duty of convening the general meeting, and the Supervisory Board may summon and preside over the meeting on its own.

Shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change to the original request made in the notice shall be subject to the consent of the relevant shareholders.

If the Board does not agree to convene an extraordinary general meeting or does not reply within 10 days upon receipt of the proposal, the shareholders individually or jointly holding more than 10% of the Company's shares shall have the right to propose to the Supervisory Board to convene an extraordinary general meeting, and such proposal shall be made in writing.

If the Supervisory Board agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within five days upon receipt of the request. Any changes to the original request in the notice shall be approved by the relevant shareholders.

If the Supervisory Board fails to issue the notice of the general meeting within the prescribed period, it shall be deemed that the Supervisory Board will not convene and preside over the general meeting, and shareholders individually or jointly holding 10% or more of the Company's shares for more than 90 consecutive days may summon and preside over the meeting by themselves.

Proposals at General Meetings

When the Company convenes a general meeting, the Board, the Supervisory Board and shareholders individually or jointly holding more than 3% of the Company's shares shall have the right to submit proposals to the Company.

Shareholders individually or jointly holding 3% or more of the Company's shares may submit ad hoc proposals in writing to the convener 10 days before a general meeting is convened. The convener shall issue a supplementary notice of the general meeting within two days upon receipt of the proposal to announce the contents of the provisional proposal. For the publication of the supplementary notice of the general meeting, if there are special provisions in the securities regulatory rules of the place where the shares of the Company are listed, such provisions shall prevail, provided that such provisions are not in violation of the Company Law, the Securities Law, the Administrative Measures and the Guidelines for the Articles of Association of Listed Companies. If the general meeting is postponed due to the issuance of a supplementary notice of the general meeting pursuant to the securities regulatory rules of the place where the Company's shares are listed, the general meeting shall be postponed pursuant to the securities regulatory rules of the place where the Company's shares are listed.

Except as provided in the preceding paragraph, the convener shall not amend the proposals set out in the notice of the general meeting or add any new proposals after issuing the notice of the general meeting.

Notice of General Meetings

The convener shall notify all shareholders by way of written notice 21 days before the annual general meeting and shall notify all shareholders by way of written notice 15 days before the extraordinary general meeting.

Provided that the relevant laws, regulations, securities regulatory rules of the place where the Company's shares are listed are met, and the relevant procedures are followed, the company may issue notices for general meetings of shareholders through the company website and/or designated websites specified by Hong Kong Stock Exchange, or in any other manner permitted by the Listing Rules and the Articles of Association.

Convening of General Meetings

All ordinary shareholders (including preferred shareholders with voting rights restored) registered on the record date or their proxies are entitled to attend the general meeting. They shall speak and exercise their voting rights in accordance with the relevant laws, regulations, the Listing Rules and the Articles of Association.

Individual shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual shareholders shall produce their valid identity cards and the power of attorney of the shareholder.

Shareholder that is a legal person shall be represented at the meeting by its legal representative or a proxy appointed by it. If a legal representative attends the meeting, he/she should produce his/her identity card and valid proof that he/she is a legal representative; if a proxy attends the meeting, the proxy should produce his/her identity card and a written power of attorney issued by the legal representative of the legal person shareholder in accordance with the law (unless a shareholder is a recognized clearing house as defined in the relevant ordinances in force from time to time under the laws of Hong Kong or its nominee (hereinafter referred to as a "**Recognized Clearing House**").

If the shareholder is a Recognized Clearing House (or its nominee), the shareholder may authorize one or more persons as it thinks fit to act as its representative (s) at any shareholders' general meeting or any class shareholders' meeting; however, if more than one person are so authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is authorised, and the power of attorney shall be signed by the authorized personnel of the Recognized Clearing House. The person so authorized may attend the meeting on behalf of the Recognized Clearing House (or its nominee) to exercise the rights (without being required to present share certificate, notarized authorization and/or further evidence to prove that he/she is duly authorised) as if he/she was an individual shareholder of the Company.

The proxy form shall contain a statement that in the absence of instructions from the shareholder the proxy may vote as he/she thinks fit.

If the proxy form is signed by a person authorised by the principal, the power of attorney or other authorization documents shall be notarized. The instrument appointing a proxy, the notarized power of attorney or other authorization documents shall be placed at the domicile of the Company or at such other place as specified in the notice convening the meeting.

If the principal is a legal person, its legal representative or such person as is authorized by resolution of its board of directors or other governing body to act as its representative may attend the general meeting of the Company.

Resolutions of General Meetings

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by ordinary resolutions at a general meeting:

1. work reports of the Board and the Supervisory Board;

2. profit distribution plans and loss recovery plans formulated by the Board;

3. appointment and removal of members of the Board and the non-employee representative members of the Supervisory Board, their remuneration and method of payment;

4. Annual budget and final accounts of the Company;

5. annual reports of the Company;

6. matters other than those required by the laws, administrative regulations or the Articles of Association to be adopted by special resolution.

The following matters shall be approved by special resolutions at a general meeting:

1. increase or reduction of the registered capital of the Company;

2. division, merger, dissolution and liquidation of the Company;

3. amendments to the Articles of Association;

4. purchase or disposal of material assets or provision of guarantee by the Company within one year with an amount exceeding 30% of the latest audited total assets of the Company;

5. share incentive scheme;

6. other matters stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, the Rules of Procedure of the General Meeting, and other matters considered by the general meeting, by way of ordinary resolution, to have a material impact on the Company and need to be approved by special resolution.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced by the shareholders' general meeting, and may be removed by the shareholders' general meeting before the expiry of their terms of office. The term of office of the Directors shall be 3 years, and they may be re-elected and re-appointed.

The term of office of the Directors shall commence from the date of their appointment until the expiry of the term of the current session of the Board. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected.

The Board

The Company shall have a board of directors which shall be accountable to the general meeting. The Board shall consist of 9 Directors, including 6 executive and/or non-executive Directors and 3 independent non-executive Directors.

The Board shall exercise the following powers:

1. to summon general meetings and report its work to the general meetings;
2. to implement the resolutions of the general meeting;
3. to decide on the Company's business plans and investment plans;
4. to formulate the Company's annual financial budgets and final accounts;
5. to formulate the Company's profit distribution plans and loss recovery plans;
6. to formulate proposals for the increase or reduction of the Company's registered capital, the issue of bonds or other securities and listing plans;
7. to formulate plans for material acquisitions, purchase of shares of the Company under the circumstances specified in Article 24, items (1) and (2) of the Articles of Association or merger, division, dissolution and change of corporate form of the Company;
8. to decide on the Company's external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted wealth management, connected transactions, external donations and other matters in accordance with the laws, regulations, the securities regulatory rules of the place where the shares of the Company are listed and within the scope authorised by the general meeting;
9. with attendance of more than two-thirds of the directors, to decide on purchase of shares of the Company under the circumstances specified in Article 24, items (3), (4) and (5) of the Articles of Association;
10. to decide on the establishment of the Company's internal management structure;
11. to decide on the appointment or dismissal of the Company's manager, secretary to the Board and other senior management, and decide on their remuneration, rewards and punishments; to decide on the appointment or dismissal of the Company's vice president, chief financial officer and other senior management based on the nomination of the manager, and decide on their remuneration, rewards and punishments;
12. to formulate the basic management system of the Company;
13. to formulate proposals for any amendment to the Articles of Association;

14. to manage the information disclosure of the Company;

15. to propose to the general meeting the appointment or replacement of the accounting firm that audits the Company;

16. to listen to the work report of the general manager of the Company and inspect the work of the general manager;

17. other functions and powers conferred by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Matters beyond the scope of authorization of the general meeting shall be submitted to the general meeting for consideration.

SENIOR MANAGEMENT

Manager

The manager shall be accountable to the Board and exercise the following powers:

1. to be in charge of the production, operation and management of the Company, organize the implementation of the resolutions of the Board and report to the Board;

2. to organize the implementation of the Company's annual business plan and investment plan;

3. to draft plans for the establishment of the Company's internal management structure;

4. to draft the basic management system of the Company;

5. to formulate the specific rules and regulations of the Company;

6. to propose to the Board to appoint or dismiss other senior management personnel of the Company;

7. to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

8. to exercise other powers conferred by the Articles of Association or the Board.

The manager is to attend board meetings.

Secretary to the Board

The Company shall have a secretary to the Board, who shall be responsible for the preparation of the general meetings and Board meetings of the Company, keeping of documents, management of shareholders' information of the Company and handling matters such as information disclosure.

The secretary to the Board shall comply with the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association.

SUPERVISORY BOARD

The Company shall have a Supervisory Board. The Supervisory Board shall consist of three Supervisors including one employee representative Supervisor and shall have one chairman. The chairman of the Supervisory Board shall be elected by more than half of all Supervisors.

The supervisory board shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third. The employee representatives of the Supervisory Board shall be democratically elected by the Company's employees at the employee representative assembly, employee meeting or otherwise.

The Supervisory Board exercises the following powers:

1. it shall review the regular reports of the Company prepared by the Board and to provide written review opinions;

2. to examine the financial affairs of the Company;

3. to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' general meetings;

4. to demand rectification from a Director or senior management when the acts of such persons are detrimental to the interests of the Company;

5. to propose the convening of extraordinary general meetings and to summon and preside over general meetings when the Board fails to perform the duty of summoning and presiding over general meetings under the Company Law;

6. to submit proposals to the general meeting;

7. to initiate proceedings against directors and senior management in accordance with Article 151 of the Company Law;

8. to investigate any irregularities identified in the operation of the Company; if necessary, to engage professional institutions such as accounting firms and law firms to assist its work at the expense of the Company.

Resolutions of the Supervisory Board shall be passed by more than two-thirds of the supervisors.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirements of the relevant state authorities.

The company shall submit, disclose, and/or present annual reports, interim reports, preliminary performance announcements, and other regulatory documents in accordance with the laws, regulations, securities regulatory rules of the place where the Company's shares are listed and other normative documents.

NOTICES

Subject to the laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed, a notice of the Company shall be given in the following manner:

1. by hand;

2. by mail;

3. by way of announcement;

4. by fax or email;

5. other means stipulated by securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

As required by the Listing Rules, the company may provide or send company communications to H shares shareholders through the means designated the company and/or the Hong Kong Stock Exchange website, or by electronic means, provided that it complies with laws, administrative regulations, departmental rules, securities regulatory of the stock exchange on which the company's shares are listed, and the Article of Association.

Where a notice of the Company is published by way of announcement, the said notice shall be deemed as received by all relevant persons once it is published.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

1. the term of its operations as is stipulated in the Articles of Association has expired or events of dissolution specified in the Articles of Association have occurred;

2. the shareholders' general meeting resolves to dissolve the Company;

3. dissolution is necessary due to merger or division of the Company;

4. the Company's business licence is revoked, the Company is ordered to close down or be revoked in accordance with the law;

5. Where the Company encounters serious difficulties in its operation and management and its continuous existence will cause significant losses to the interests of shareholders, and such difficulties cannot be resolved through other means, shareholders holding more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

Where the Company is dissolved pursuant to items 1, 2, 4 and 5 above, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of the cause of dissolution. The liquidation committee shall be composed of directors or persons determined by the shareholders' general meeting. If a liquidation committee is not established within the time limit, the creditors may apply to the people's court to designate relevant personnel to form a liquidation committee to carry out liquidation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement in a newspaper recognized by the stock exchange where the Company's shares are listed within 60 days.

If the liquidation committee discovers that the Company's assets are insufficient to repay its debts after cleaning up the Company's assets and preparing a balance sheet and an inventory of assets, it shall apply to the People's Court for a declaration of insolvency in accordance with the law.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the shareholders' general meeting or the people's court for confirmation, and shall submit the same to the company registration authority, apply for cancellation of the company's registration, and publish an announcement on the termination of the company.

AMENDMENTS TO THE ARTICLES

The Company shall amend the Articles of Association in any of the following circumstances:

(1) After the amendments are made to the Company Law or relevant laws, administrative regulations, departmental rules and securities regulatory rules of the place where the shares of the Company are listed, the provisions of the Articles of Association are in conflict with the amended laws, administrative regulations, departmental rules and securities regulatory rules of the place where the shares of the Company are listed;

(2) there is a change in the Company's situation, which is inconsistent with the matters recorded in the Articles of Association;

(3) the shareholders' general meeting decides to amend the Articles of Association.

The amendments to the Articles of Association adopted by the shareholders' general meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was established as a limited liability company in the PRC on November 4, 2010 under the name of Tianjin Binhai New Area Shanshengyuan Municipal Engineering Co., Ltd.* (天津市濱海新區山盛源市政工程有限公司). Pursuant to the promoters' agreement entered into among Shengyuan Holding Tianjin Zhiweilai and Tianjin Gongmeihao and upon approvals by the Shareholders' general meeting held on June 5, 2023, the Company was converted into a joint stock company with limited liability with a registered capital of RMB150,000,000. Our Company has established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on July 18, 2023. Mr. Lui Wing Yat Christopher has been appointed as the Company's authorized representative for the acceptance of service of process in Hong Kong. As our Company was incorporated in the PRC, its corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of the Articles of Association is set out in "Summary of Articles of Association of the Company" in Appendix VI to this document. A summary of certain relevant aspects of the laws and regulations of the PRC and Hong Kong is set out in "Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" in Appendix V to this document.

As of the date of this document, our Company's head office was at No. 112 Dongting Road, Economic and Technological Development Zone, Binhai New Area, Tianjin, PRC.

2. Changes in Share Capital

Our Company was established on November 4, 2010 with an initial registered capital of RMB10,000,000, which has been fully paid up. The following sets out the changes of our share capital since the date of our establishment:

(a) on February 25, 2014, our registered capital was increased to RMB77,000,000;

(b) on February 15, 2017, our registered capital was increased to RMB78,000,000;

(c) on June 17, 2020, our registered capital was increased to RMB166,770,000;

(d) on September 19, 2022, our registered capital was reduced to RMB77,998,400;

(e) on June 5, 2023, our registered capital was increased to RMB150,000,000;

(f) on July 19, 2023, our registered capital was increased to RMB154,347,826; and

(g) on December 1, 2023, our registered capital was increased to RMB161,844,749.

For details of changes in our share capital since the date of our establishment, please see "History, Reorganization and Corporate Structure".

Upon completion of the [REDACTED], but without taking into account any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED], our Company's registered capital will be increased to RMB[REDACTED], comprising [REDACTED] and [REDACTED] fully paid up or credited as fully paid up, representing [REDACTED]% and [REDACTED]% of our registered capital, respectively.

Save as aforesaid, there has been no alteration in our Company's share capital since our Company's establishment.

3. Resolutions of our Shareholders

Pursuant to general meeting of the Company held on June 27, 2023, among other things, the following resolutions were passed by the Shareholders:

(a) the [REDACTED], the [REDACTED] and the [REDACTED] have been approved and the number of H Shares which may be [REDACTED] shall not exceed [REDACTED]% of the total [REDACTED] number of Shares as enlarged by the H Shares to be [REDACTED] pursuant to the exercise of the [REDACTED]. The number of H Shares to be [REDACTED] pursuant to the exercise of the [REDACTED] shall not exceed [REDACTED]% of the total number of [REDACTED] to be [REDACTED] initially pursuant to the [REDACTED]; and

(b) subject to the completion of the [REDACTED], the Articles of Association with effect from the [REDACTED] will be adopted, and the Board has been authorized to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Hong Kong Stock Exchange and relevant PRC regulatory authorities.

4. Reorganization

In preparation for the [REDACTED], we have undergone our Reorganization, details of which are set out in "History, Reorganization and Corporate Structure" in this document. As advised by the PRC Legal Adviser, we have completed all necessary registration and filings approvals from, and have duly filed with competent PRC government authorities with respect to the Reorganization. The Reorganization is legal and valid under applicable PRC laws, rules and regulations.

5. Change in the Registered Capital of our Subsidiaries

The subsidiaries of our Company as of the Latest Practicable Date are set out in the Accountants' Report in Appendix I to this document. Save for the subsidiaries mentioned above, the Accountants' Report and the section headed "History, Reorganization and Corporate Structure", our Company has no other subsidiaries.

There has been no other alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this document and are or may be material:

(a) an equity transfer agreement (股權轉讓協議) entered into between Tianjin Construction Development Group Company Ltd.* (天津建設發展集團有限公司), the predecessor of the Company, and Mr. Hao Peitao (郝沛濤) dated August 11, 2022 pursuant to which Mr. Hao Peitao (郝沛濤) agreed to transfer 20% equity interest in Tianjin Binhai to Tianjin Construction Development Group Company Ltd.* (天津建設發展集團有限公司) at nil consideration;

(b) the Deed of Non-Competition;

(c) the Deed of Indemnity;

(d) the [REDACTED];

(e) an investment agreement in relation to Tianjin Construction Development Group Co., Ltd. (關於天津建設發展集團股份公司之投資協議) entered into between Zhuhai Zhongqing, Shengyuan Holding, Tianjin Zhiweilai, Tianjin Gongmeihao and the Company dated July 19, 2023, pursuant to which Zhuhai Zhongqing agreed to subscribe for 4,347,826 Shares at the consideration of RMB10,000,000;

(f) a loan assignment agreement (債權轉讓協議) entered into among Mr. Wang, Shengyuan Holding, Tianjin Zhiweilai and the Company dated October 30, 2023, pursuant to which Mr. Wang assigned the amount of RMB13,411,163.74 due from the Company to Shengyuan Holding and the amount of RMB3,831,761.07 due from the Company to Tianjin Zhiweilai; and

(g) a loan capitalization agreement (債權出資協議) entered into among Shengyuan Holding, Tianjin Zhiweilai and the Company dated December 1, 2023, pursuant to which Shengyuan Holding and Tianjin Zhiweilai agreed to subscribe for, and the Company agreed to allot and issue, 5,830,940 and 1,665,983 Shares to Shengyuan Holding and Tianjin Zhiweilai, respectively, at the consideration of RMB13,411,163.74 and RMB3,831,761.07 by way of loan capitalization, respectively.

2. Intellectual Property Rights

(a) Trademarks

(i) Registered trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Class	Registered number	Expiry date
1.	智源智造	PRC	42	41888995	2030.11.27
2.	智源工程	PRC	9	38956607	2030.09.06
3.	捷效	PRC	9; 35	38395310	2030.04.27
4.	山盛源	PRC	9	38095770	2030.02.06
5.	山盛源	PRC	37	38093206	2030.02.06
6.	山盛源	PRC	42	38099650	2030.01.27
7.	SSY	PRC	37	38114468	2030.05.06
8.	材料纵横	PRC	42	38107208	2030.02.06
9.	工程纵横	PRC	9; 37; 42	37606436	2030.04.20
10.	机械纵横	PRC	9	38074428	2030.01.27
11.	机械纵横	PRC	37	38077603	2030.05.06
12.	机械纵横	PRC	42	38079948	2030.02.06
13.	材料纵横	PRC	9	38117839	2030.02.27

No.	Trademark	Place of registration	Class	Registered number	Expiry date
14.	材料纵横	PRC	37	38105255	2030.02.27
15.		PRC	9	38095729	2031.02.13
16.	SSY	PRC	9	38119895	2030.08.27
17.	SSY	PRC	42	38096993	2030.08.20
18.		PRC	42	55513273	2031.11.13
19.		PRC	4	55493729	2031.11.13
20.		PRC	37	55516703	2032.02.13
21.		PRC	19	55520612	2032.01.27
22.		PRC	11	55508367	2032.02.13
23.		PRC	9	55490046	2031.12.06
24.		PRC	39	55516727	2032.01.13
25.		PRC	1	55524809	2032.02.13
26.		Hong Kong	1; 4; 9; 11; 19; 35; 37; 39; 42	306187708	2033.03.08
27.	TJCD	PRC	39	64411424	2032.10.27
28.	TJCD	PRC	19	64406041	2032.10.27
29.	TJCD	PRC	31	64410077	2032.10.27
30.	TJCD	PRC	9	64401681	2032.10.27
31.	TJCD	PRC	42	64388328	2032.10.27
32.	TJCD	PRC	4	64403551	2032.10.27
33.	TJCD	PRC	1	64403464	2032.10.27

No.	Trademark	Place of registration	Class	Registered number	Expiry date
34.	TJCD	PRC	11	64412018	2032.10.27
35.	TJCD	PRC	37	64409162	2032.10.27
36.	TJCD	PRC	35	64400335	2032.10.27
37.	TJCD	Hong Kong	1; 4; 9; 11; 19; 35; 37; 39; 42	306187681	2033.03.08
38.	天津建发	Hong Kong	1; 4; 9; 11; 19; 39	306187690	2033.03.08

(b) Patents

(i) Registered patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be material to our business:

No.	Patent name	Place of registration	Registered owner	Patent type	Patent number	Registration date	Expiry date
1.	An environmentally friendly lighting street lamp (一種環保型照明路燈)	PRC	Our Company	Utility Model	201721450150.8	2018.06.15	2027.11.03
2.	A construction site rebar cutting device (一種建築現場鋼筋切斷裝置)	PRC	Our Company	Utility Model	201721321422.4	2018.06.15	2027.10.14
3.	An LED lamp installed in a highway tunnel for municipal use (一種市政用公路隧道內安裝的LED燈)	PRC	Our Company	Utility Model	201721539680.X	2018.06.15	2027.11.17
4.	A combined municipal construction guardrail (一種組合式市政施工防護欄)	PRC	Our Company	Utility Model	201721287805.4	2018.06.15	2027.09.30
5.	A paver with easy adjustment of paving width (一種便於調節鋪設寬度的攤鋪機)	PRC	Our Company	Utility Model	201920123453.1	2019.11.26	2029.01.24

No.	Patent name	Place of registration	Registered owner	Patent type	Patent number	Registration date	Expiry date
6.	A wall painting device (一種牆面刷漆裝置)	PRC	Our Company	Utility Model	202320411414.8	2023.09.29	2033.03.09
7.	An excavator bucket bar with length adjustment function (一種具有長度調整功能的挖掘機斗桿)	PRC	Our Company	Utility Model	201920124181.7	2019.11.26	2029.01.24
8.	A traffic signal device (一種交通信號燈裝置)	PRC	Our Company	Utility Model	202020124545.4	2020.08.07	2029.01.19
9.	A secondary mixing device for ash and soil (一種灰和土二次拌合裝置)	PRC	Our Company	Utility Model	202020425078.9	2020.11.20	2030.03.27
10.	A construction method for underground pipelines (一種地下管道的施工方法)	PRC	Our Company	Invention	202211043827.1	2022.11.15	2042.08.30
11.	An auxiliary device for pipeline installation (一種管道安裝用輔助裝置)	PRC	Our Company	Utility Model	202222071378.3	2022.11.04	2032.08.05
12.	A type of large diameter pipeline transportation device (一種大管徑管道運輸裝置)	PRC	Our Company	Utility Model	202122874603.2	2022.04.15	2031.11.23
13.	A type of rainwater drainage pipeline (一種雨水排水管道)	PRC	Our Company	Utility Model	202122576555.9	2022.05.17	2031.10.26
14.	A treatment method for roadbed hazards (一種路基危害的處理方法)	PRC	Our Company	Invention	202110922590.3	2022.04.15	2041.08.12
15.	A type of drainage device for foundation treatment (一種地基處理的排水裝置)	PRC	Our Company	Utility Model	202121665021.7	2022.01.28	2031.07.21
16.	A type of tank fixing frame for gas station construction (一種加油站施工用油罐固定架)	PRC	Our Company	Utility Model	202121665018.5	2022.01.28	2031.07.21

No.	Patent name	Place of registration	Registered owner	Patent type	Patent number	Registration date	Expiry date
17.	A hydrogen injection device for hydrogen refueling station (一種用於加氫站的加氫注入裝置)	PRC	Our Company	Utility Model	202121427507.7	2021.12.21	2031.06.25
18.	A hydrogenation station unloading connection mechanism (一種加氫站卸氣連接機構)	PRC	Our Company	Utility Model	202121428991.5	2021.12.21	2031.06.25
19.	A type of position marking device for road construction (一種用於路面施工的位置標識裝置)	PRC	Our Company	Utility Model	202120753096.4	2021.12.21	2031.04.14
20.	A tiling tool for decoration (一種裝修用瓷磚美縫工具)	PRC	Our Company	Utility Model	202222681344.6	2023.01.17	2032.10.12
21.	A cable protection device (一種電纜保護裝置)	PRC	Our Company	Utility Model	202320411391.0	2023.09.12	2033.03.07
22.	A system for management of the construction mechanical circulation (一種建築機械流轉管理方法和系統)	PRC	Our Company	Invention	202211452530.0	2023.04.07	2042.11.21
23.	Construction equipment and its construction method for the full casing pile, rotary drilling, rig borehole and bite pile (全套管、旋挖鑽機鑽孔咬合樁施工裝備及其施工方法)	PRC	Our Company	Invention	202211417383.3	2023.04.07	2042.11.14

(c) Software Copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered owner	Registration number	Registration date
1.	Shanshengyuan Construction Enterprise Management System V1.1.0 (山盛源建設企業管理系統V1.1.0)	Our Company	2019SR0556974	2019.06.03
2.	Urban Road Traffic Intelligent Management System V1.0 (城市道路交通智能化管理系統V1.0)	Our Company	2019SR0794087	2019.07.31
3.	Celiang Zongheng Instrument Management Platform Software V1.0 (測量縱橫儀器管理平台軟件V1.0)	Our Company	2019SR0557178	2019.06.03
4.	Engineering Construction ERP Platform Management Software V1.0 (工程施工ERP平台管理軟件V1.0)	Our Company	2018SR676715	2018.08.23
5.	Traffic Signal Intelligent Control System V1.0 (交通信號燈智能控制系統V1.0)	Our Company	2019SR0794649	2019.07.31
6.	Road Safety Monitoring System V1.0 (道路安全監控系統V1.0)	Our Company	2019SR0794643	2019.07.31
7.	Signal Light Debugging and Testing System V1.0 (信號燈調試測試系統V1.0)	Our Company	2019SR0794477	2019.07.31
8.	Intelligent Electronic Police System V1.0 (智能電子警察系統V1.0)	Our Company	2019SR0794467	2019.07.31
9.	Engineering General Contracting Professional Contracting Service Platform Management Software V1.0 (工程總承包專業承包服務平台管理軟件V1.0)	Our Company	2018SR676644	2018.08.23
10.	Jiexiao Office Management System V1.0 (捷效辦公管理系統V1.0)	Our Company	2019SR1192086	2019.11.22
11.	Zhiyuan Zhizao Intelligent Management System V1.0 (智源智造智能化管理系統V1.0)	Our Company	2019SR1192142	2019.11.22
12.	Engineering Material Intelligent Management Platform V1.0 (工程材料智能管理平台V1.0)	Our Company	2020SR0287576	2020.03.24
13.	Jixie Zongheng Machine Owners Mobile-Android Software V1.0 (機械縱橫機主移動端 — Android軟體V1.0)	Our Company	2021SR0247938	2021.02.18

No.	Copyright	Registered owner	Registration number	Registration date
14.	Jixie Zongheng Engineering Mobile-Android Software V1.0 (機械縱橫工程移動端 — Android軟體V1.0)	Our Company	2021SR0249804	2021.02.18
15.	Jiexiao Engineering Information Management System V1.0 (捷效工程信息管理系統V1.0)	Our Company	2021SR0447929	2021.03.25
16.	Jiexiao Labor Management System V1.0 (捷效勞務管理系統V1.0)	Our Company	2021SR2163308	2021.12.27
17.	Jiexiao Material Management System V1.0 (捷效材料管理系統V1.0)	Our Company	2021SR2163313	2021.12.27

(d) Domain Names

As of the Latest Practicable Date, we have registered the following domain name(s) which we consider to be material to our business:

No.	Domain names	Owner	Registration date	Expiry date
1.	jixiezongheng.com	Our Company	2020.03.26	2025.03.26
2.	jieoa.com	Our Company	2019.05.22	2024.05.22
3.	machineacross.com	Our Company	2021.03.02	2025.03.02
4.	naoner.com	Our Company	2021.03.03	2025.03.03
5.	tjcdg.com	Our Company	2021.02.06	2025.02.06
6.	tjssy.cn	Our Company	2018.12.24	2026.12.24
7.	shigongzhang.com	Our Company	2018.12.24	2024.12.24

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Save as disclosed below, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong 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 Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(a) Interests in our Company

Name	Position	Class of Shares to be held after the [REDACTED]	Number of Shares to be held after the [REDACTED] (assuming the [REDACTED] is not exercised)	Nature of Interest[1]	Approximate percentage of shareholding interests immediately prior to the [REDACTED]	Approximate percentage of shareholding interests immediately after the [REDACTED] (assuming the [REDACTED] is not exercised)	Approximate percentage of shareholding interests immediately after the [REDACTED] (assuming the [REDACTED] is exercised in full)
Mr. Wang	Non-executive Director	Unlisted Shares	[REDACTED]	Interest in controlled corporations	97.3%	[REDACTED]	[REDACTED]
Mr. Zhao Kuanghua[2]	Executive Director	Unlisted Shares	[REDACTED]	Interest in controlled corporation	9.3%	[REDACTED]	[REDACTED]
Ms. Zhao Xiaorong[3]	Executive Director	Unlisted Shares	[REDACTED]	Interest in controlled corporation	9.3%	[REDACTED]	[REDACTED]

Notes:

(1) All interests stated are long positions.

(2) Mr. Zhao Kuanghua is the general partner of Tianjin Jushi which owns 50% equity interest in Tianjin Gongmeihao, which in turn holds 9.3% of the total issued Shares. As the general partner of Tianjin Jushi, Mr. Zhao Kuanghua is deemed to have de facto control in Tianjin Jushi and hence is a controller of Tianjin Jushi. Accordingly, Mr. Zhao Kuanghua is deemed to be interested in such Shares held by Tianjin Gongmeihao for the purpose of the SFO.

(3) Ms. Zhao Xiaorong is the general partner of Tianjin Huizhi which owns 50% equity interest in Tianjin Gongmeihao, which in turn holds 9.3% of the total issued Shares. As the general partner of Tianjin Huizhi, Ms. Zhao Xiaorong is deemed to have de facto control in Tianjin Huizhi and hence is a controller of Tianjin Huizhi. Accordingly, Ms. Zhao Xiaorong is deemed to be interested in such Shares held by Tianjin Gongmeihao for the purpose of the SFO.

(b) Interests of the substantial shareholders

For the information on the persons who will, immediately following the completion of the [REDACTED], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders" in this document.

So far as set out above, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive) who will, immediately following the completion of the [REDACTED], directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Service Contracts and Letters of Appointment

We have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations and observance of the Articles of Association.

Each of our executive Directors and non-executive Directors has entered into a service contract with our Company. The principal particulars of these service contracts comprise (a) a term of three years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company, which includes, amongst others, (a) a term of three years commencing from the [REDACTED]; and (b) termination provisions in accordance with their respective terms.

Each of our Supervisors has entered into a contract with our Company. Each contract contains provisions relating to compliance with relevant laws and regulations and observation of our Articles of Association.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

3. Director's and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" and "Accountant's Report — Notes to the Historical Financial Information — Directors' and Supervisors' Emoluments" in Appendix I to this document, during the Track Record Period, none of our Directors or Supervisors received other remunerations of benefits from our Group.

4. Disclaimers

Save as disclosed in this document:

(a) none of the Directors, Supervisors or chief executive of our Company has any interests and short positions in our Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Hong Kong Stock Exchange, in each case once the [REDACTED] of our Company are [REDACTED]. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) none of the Directors or Supervisors nor any of the parties listed in the paragraph headed "9. Qualifications of Experts" of this Appendix is interested in our Company's promotion, or in any assets which have, within the two years immediately preceding the issue of this document, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(c) none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the [REDACTED] are [REDACTED] on the Hong Kong Stock Exchange; save as disclosed in this document, none of the Directors or Supervisors of our Company nor any of the parties listed in paragraph headed "9. Qualifications of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(d) none of the parties listed in the paragraph headed "9. Qualifications of Experts" of this Appendix: (i) is interested legally or beneficially in any of the Shares of our Company or any shares in any of its subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of our Company; and

(e) none of the Directors or Supervisors or the respective close associates or any Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. OTHER INFORMATION

1. Estate duty and other indemnities

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

Other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with, and in favor of, our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, any fines, penalties, claims, costs, expenses and losses (to the extent that provision, reserve or allowance has not been made for such fines, penalties, claims, costs, expenses or losses in the audited consolidated financial statements included in the Accountants' Report as set out in Appendix I to this document) incurred by any member of the Group after the [REDACTED] resulting from any non-compliance incidents of any member of the Group with applicable laws and regulations on or before the [REDACTED].

The Deed of Indemnity shall become effective on the [REDACTED] and shall continue in full force and effect until it is terminated.

2. Litigation

Save as disclosed in this document, as of the Latest Practicable Date, our Group was not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the [REDACTED] for the [REDACTED] of, and the permission to [REDACTED] in, the [REDACTED] of the Company, including any additional [REDACTED] which may be [REDACTED] pursuant to the exercise of the [REDACTED]. All necessary arrangements have been made enabling the [REDACTED] to be admitted into [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of its services as sponsor for the [REDACTED] are approximately HK$[REDACTED] and are payable by us.

4. Preliminary Expenses

Our Company did not incur any preliminary expenses as of the Latest Practicable Date.

5. Promoter

The promoters of the Company are Shengyuan Holding, Tianjin Zhiweilai and Tianjin Gongmeihao. For details of the promoters of the Company, please see "History, Reorganization and Corporate Structure".

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoters in connection with the [REDACTED] or related transactions in this document within the two years immediately preceding the date of this document.

6. Bilingual Prospectus

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Binding Effect

This document shall have effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Compliance Adviser

Our Company has appointed China Everbright Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

9. Qualifications of Experts

The following are the qualifications of experts (as defined under the Listing Rules and the Companies Ordinance) who have given opinions or advice which are contained or referred to in this document:

Name	**Qualifications**
China Everbright Capital Limited	A licensed corporation registered under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the [REDACTED]

Name	Qualifications
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
King Kee Appraisal and Advisory Limited	Independent Property Valuer
Jingtian & Gongcheng	Legal adviser to our Company as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Moore Advisory Services Limited	Internal control consultant

10. Consent of Experts

Each of the experts as referred to in the section headed "9. Qualifications of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholders' interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

11. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of the Company, including in circumstances where such transaction is effected on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Taxation and Foreign Exchange" in Appendix IV of this document.

12. No Material Adverse Change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since December 31, 2023 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

13. Agency Fees or Commissions Paid or Payable

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

14. Miscellaneous

Save as disclosed in this document:

(a) within the two years preceding the date of this document, our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) within the two years immediately preceding the date of this document, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and

(h) none of the equity and debt securities of our Company, if any, is listed or dealt within any other stock exchange nor is any listing or permission to deal in other stock exchanges being or proposed to be sought.

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:

(A) the written consents referred to in "D. Other Information — 10. Consent of Experts" in Appendix VII to this document; and

(B) a copy of each of the material contracts referred to in "B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.tjcdg.com** during a period of 14 days from the date of this document:

1. the Articles of Association;

2. the Accountants' Report from KPMG in respect of the historical financial information of our Group for the Track Record Period, the text of which is set forth in Appendix I to this document;

3. the audited consolidated financial statements of our Group for the Track Record Period;

4. the report on the unaudited [REDACTED] financial information of our Group from KPMG, the text of which is set forth in Appendix II to this document;

5. the material contracts in "B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII to this document;

6. the written consents referred to in "D. Other Information — 10. Consent of Experts" in Appendix VII to this document;

7. the service contracts and letters of appointment referred to in "C. Further Information about our Directors, Supervisors and Substantial Shareholders — 2. Service Contracts and Letters of Appointment" in Appendix VII to this document;

8. the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Adviser, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

9. the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this document;

10. the letter, summary of values and valuation certificates relating to the property interests held by the Group prepared by King Kee Appraisal and Advisory Limited, the texts or extracts of which are set out in "Appendix III — Property Valuation Report";

11. the phase one internal control review report in relation to the Company issued by the Internal Control Consultant;

12. the phase two internal control review report in relation to the Company issued by the Internal Control Consultant; and

13. a copy of the following PRC laws, together with unofficial English translations: (i) the PRC Company Law; and (ii) the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies.