

The following is the preliminary financial information of our Group as at and for the year ended 31 December 2020 (the “2020 Preliminary Financial Information”), together with comparative financial information as at and for the year ended 31 December 2019 and a management’s discussion and analysis of our Group’s financial condition and results of operations between the two periods. The preliminary financial information has been prepared based on the unaudited consolidated financial statements of the Group prepared in accordance with HKFRSs. The 2020 Preliminary Financial Information was not audited. Investors should bear in mind that the 2020 Preliminary Financial Information in this appendix may be subject to adjustments.

#### A. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2019	2020
		RMB’000	RMB’000 (Unaudited)
Revenue	3	590,797	784,902
Cost of sales	3, 6	<u>(476,420)</u>	<u>(632,397)</u>
<b>Gross profit</b>		114,377	152,505
Other income	4	3,693	4,945
Other (losses)/gains — net	5	(1,572)	171
Selling expenses	6	(13,699)	(22,033)
Administrative expenses	6	(28,188)	(30,242)
Net impairment losses on financial assets		(1,431)	239
Listing expenses	6	<u>(6,512)</u>	<u>(6,379)</u>
<b>Operating profit</b>		66,668	99,206
Finance income		105	82
Finance costs		<u>(8,836)</u>	<u>(13,667)</u>
<b>Finance costs — net</b>		<u>(8,731)</u>	<u>(13,585)</u>
<b>Profit before income tax</b>		57,937	85,621
Income tax expense	7	<u>(16,115)</u>	<u>(22,998)</u>
<b>Profit and total comprehensive income for the year, all attributable to owners of the Company</b>		<u>41,822</u>	<u>62,623</u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic earnings per share (RMB)	8	41.82	62.62
Diluted earnings per share (RMB)	8	<u>41.82</u>	<u>62.62</u>

## B. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 31 December	
		2019	2020
		RMB'000	RMB'000 (Unaudited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		140,431	144,111
Right-of-use assets		41,057	39,663
Investment properties		10,554	10,045
Intangible assets		213	187
Trade receivables	9	17,343	17,886
Deferred income tax assets		1,535	1,583
		<u>211,133</u>	<u>213,475</u>
<b>Current assets</b>			
Inventories		27,825	50,432
Trade receivables	9	400,446	493,454
Prepayments, deposits and other receivables		15,382	15,767
Restricted bank balance		4,710	4,710
Cash and bank balances		16,144	30,485
		<u>464,507</u>	<u>594,848</u>
<b>Total assets</b>		<u><u>675,640</u></u>	<u><u>808,323</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		9	9
Other reserves		105,642	112,371
(Accumulated losses)/Retained earnings		(1,305)	54,589
		<u>104,346</u>	<u>166,969</u>
<b>Total equity</b>		<u><u>104,346</u></u>	<u><u>166,969</u></u>

## B. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Note</i>	As at 31 December	
		2019	2020
		RMB'000	RMB'000 (Unaudited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	68,790	68,790
Lease liabilities		12,406	10,351
Amounts due to related parties		26,283	26,876
Deferred income		1,682	2,402
		<u>109,161</u>	<u>108,419</u>
<b>Current liabilities</b>			
Trade and bills payables	10	286,494	286,010
Other payables and accruals	10	31,435	58,673
Amounts due to related parties		—	4,789
Current income tax liabilities		4,149	16,514
Borrowings	11	122,000	159,500
Contract liabilities		12,360	643
Lease liabilities		5,695	6,806
		<u>462,133</u>	<u>532,935</u>
<b>Total liabilities</b>		<u>571,294</u>	<u>641,354</u>
<b>Total equity and liabilities</b>		<u>675,640</u>	<u>808,323</u>
<b>Net current assets</b>		<u>2,374</u>	<u>61,913</u>
<b>Total assets less current liabilities</b>		<u>213,507</u>	<u>275,388</u>

## NOTES TO THE 2020 PRELIMINARY FINANCIAL INFORMATION

## 1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The 2020 Preliminary Financial Information of our Group has been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). The accounting policies used in the preparation of the 2020 Preliminary Financial Information are consistent with those used in Accountant’s Report as set out in Note 2 in “Appendix I — Accountant’s Report”.

The 2020 Preliminary Financial Information has been prepared under the historical cost convention. The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. For details on the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the 2020 Preliminary Financial Information, please see Note 4 in “Appendix I — Accountant’s Report”.

## 2 IMPACT OF ISSUED BUT NOT EFFECTIVE HKFRSs

The following new standards and amendments to existing standards have been issued but are not yet effective and have not been early adopted by the Group.

<u>Standards and amendments</u>	<u>Effective for annual periods beginning on or after</u>
HKFRS 10 (Amendment) and HKAS 28 (Amendment) “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined
HKFRS 9 (Amendment), HKAS 39 (Amendment), HKFRS 7 (Amendment), HKFRS 4 (Amendment) and HKFRS 16 (Amendment) “interest rate reform — phase 2”	1 January 2021
HKAS 16 (Amendment) “Property, plant and equipment — proceeds before intended use”	1 January 2022
HKAS 37 (Amendment) “Onerous contracts — cost of fulfilling a contract”	1 January 2022
HKFRS 3 (Amendment) “Reference to the conceptual Framework”	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKAS 1 (Amendment) “Classification of liabilities as current or non-current”	1 January 2023
HKFRS 17 “Insurance contracts”	1 January 2023
AG 5 (revised) ‘Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations’	1 January 2022
HK Int 5 (2020) ‘Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause’	1 January 2023

Management is currently assessing the effects of applying these new standards and amendments on the Group’s consolidated financial information. None of these is expected to have a significant effect on the consolidated financial information of the Group. The Group does not expect to adopt these new standards and amendments until their effective dates.

## 3 SEGMENT INFORMATION

The Company’s executive directors are the Group’s chief operating decision maker. The Group’s chief operating decision maker examines the Group’s performance from a product perspective and has identified two operating segments of its business as follows:

- (i) Ready-mixed concrete, and
- (ii) Pre-cast components.

**APPENDIX III**
**UNAUDITED PRELIMINARY FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Group derived its revenue mainly from the transfer of goods at point in time during the years ended 31 December 2019 and 2020.

	<b>Year ended 31 December 2019</b>		
	<b>Ready-mixed concrete</b>	<b>Pre-cast components</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	446,832	143,965	590,797
Cost of sales	<u>(373,977)</u>	<u>(102,443)</u>	<u>(476,420)</u>
Gross profit	72,855	41,522	114,377
Selling expenses	(7,845)	(5,854)	(13,699)
Administrative expenses	<u>(15,763)</u>	<u>(11,129)</u>	<u>(26,892)</u>
Segment results	<u>49,247</u>	<u>24,539</u>	<u>73,786</u>

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	73,786
Unallocated costs and expenses	(9,239)
Other income	3,693
Other losses- net	(1,572)
Finance income	105
Finance costs	<u>(8,836)</u>
Profit before income tax	57,937
Income tax expense	<u>(16,115)</u>
Profit and total comprehensive income for the year	<u>41,822</u>

**Other items for the year ended 31 December 2019:**

Additions to non-current assets (other than financial instruments and deferred income tax assets)	4,806	35,630	40,436
Depreciation	6,594	12,018	18,612
Amortisation	<u>26</u>	<u>—</u>	<u>26</u>

**As at 31 December 2019**

Segment assets	391,512	269,932	661,444
Unallocated assets			<u>14,196</u>
Total assets			<u>675,640</u>
Segment liabilities	254,271	95,433	349,704
Unallocated liabilities			<u>221,590</u>
Total liabilities			<u>571,294</u>

**APPENDIX III**
**UNAUDITED PRELIMINARY FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Year ended 31 December 2020		
	Ready-mixed concrete	Pre-cast components	Total
	RMB'000	RMB'000	RMB'000
<b>(Unaudited)</b>			
Revenue	537,441	247,461	784,902
Cost of sales	<u>(453,231)</u>	<u>(179,166)</u>	<u>(632,397)</u>
Gross profit	84,210	68,295	152,505
Selling expenses	(5,391)	(16,642)	(22,033)
Administrative expenses	<u>(13,416)</u>	<u>(12,738)</u>	<u>(26,154)</u>
Segment results	<u>65,403</u>	<u>38,915</u>	<u>104,318</u>

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	104,318
Unallocated costs and expenses	(10,228)
Other income	4,945
Other gains- net	171
Finance income	82
Finance costs	<u>(13,667)</u>
Profit before income tax	85,621
Income tax expense	<u>(22,998)</u>
Profit and total comprehensive income for the year	<u>62,623</u>

**Other items for the year ended 31 December 2020:**

<b>(Unaudited)</b>			
Additions to non-current assets (other than financial instruments and deferred income tax assets)	11,356	13,079	24,435
Depreciation	5,688	15,776	21,464
Amortisation	<u>26</u>	<u>—</u>	<u>26</u>

**As at 31 December 2020**

<b>(Unaudited)</b>			
Segment assets	404,787	387,980	792,767
Unallocated assets			<u>15,556</u>
Total assets			<u>808,323</u>
Segment liabilities	221,298	143,570	364,868
Unallocated liabilities			<u>276,486</u>
Total liabilities			<u>641,354</u>

## 4 OTHER INCOME

	Year ended 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
Government grants		
— Received and recognised during the year	1,102	2,388
— Recognised from deferred income	168	230
Rental income	1,661	1,852
Others	762	475
	<u>3,693</u>	<u>4,945</u>

## 5 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
Losses on disposal of property, plant and equipment	(1,443)	(27)
Net foreign exchange (losses)/gains from operating activities	<u>(129)</u>	<u>198</u>
	<u>(1,572)</u>	<u>171</u>

**6 EXPENSES BY NATURE**

The expenses charged to cost of sales, selling expenses, listing expenses and administrative expenses are analysed below:

	Year ended 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
Raw materials and consumables used	386,605	483,077
Changes in inventories of finished goods and work in progress	(11,104)	(21,822)
Employee benefit expenses	54,598	64,571
Outsourcing service expense	14,689	52,096
Transportation expenses	22,418	39,488
Depreciation of property, plant and equipment	14,477	15,186
Depreciation of right-of-use assets	3,701	5,769
Depreciation of investment properties	434	509
Amortisation of intangible assets	26	26
Repair and maintenance expense	1,973	3,360
Electricity and water expenses	6,546	7,511
Short-term leases rental expenses	4,734	11,225
Other taxes and levies	2,927	4,829
Insurance expense	1,783	1,573
Detection expense	1,751	1,987
Provision for impairment of inventories	765	1,371
Listing expenses	6,512	6,379
Auditors' remuneration	107	64
Others	11,877	13,852
Total	<u>524,819</u>	<u>691,051</u>

**7 INCOME TAX EXPENSE**

	Year ended 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
Current income tax		
— PRC income tax	10,133	23,046
Deferred income tax	<u>5,982</u>	<u>(48)</u>
Income tax expense	<u>16,115</u>	<u>22,998</u>

**(i) Cayman Islands profits tax**

The Company is an exempted company incorporated in the Cayman Islands and is not liable for taxation in the Cayman Islands.



**(ii) BVI profits tax**

The Group's subsidiary incorporated in the BVI is exempted company and is not liable for taxation in the BVI.

**(iii) Hong Kong profits tax**

Hong Kong profits tax considered at the rate of 16.5% on the estimated assessable profits. The Group did not have assessable profits in Hong Kong during the years ended 31 December 2019 and 2020.

**(iv) PRC corporate income tax ("CIT")**

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in PRC are subject to CIT at the rate of 25% during the years ended 31 December 2019 and 2020.

**(v) PRC withholding income tax**

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies' immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies and simultaneously certain conditions are satisfied. During the years ended 31 December 2019 and 2020, no PRC withholding income tax has been provided since the parent entities are able to control the timing of distributions from their subsidiaries and are not expected to distribute these profits in the near future.

As at 31 December 2020, deferred income tax liabilities of RMB7,172,000 (2019: RMB5,890,000) have not been recognised for the withholding tax that would be payable on unremitted earnings of PRC subsidiaries of the Group amounting to RMB71,716,000 (2019: RMB58,898,000). The Group does not have the intention to distribute the respective unremitted profits in the foreseeable future.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities is as follows:

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b> <b>(Unaudited)</b>
Profit before income tax	57,937	85,621
Tax calculated at the applicable statutory tax rates in the respective regions	15,714	22,617
Adjustment for tax effect of:		
— Expenses not deductible for tax purpose	401	381
Income tax expense	<u>16,115</u>	<u>22,998</u>

**8 BASIC AND DILUTED EARNINGS PER SHARE****(i) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective year. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the issuance of 10,000 shares of the Company in connection with the Reorganisation completed on 27 September 2019 and sub-division of shares on 4 March 2021 where each ordinary share was sub-divided into 100 ordinary shares deemed to have been in issue since 1 January 2017.

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<b>(Unaudited)</b>	
Profit attributable to owners of the Company (RMB'000)	41,822	62,623
Weighted average number of ordinary shares in issue	1,000,000	1,000,000
Basic earnings per share (RMB)*	<u>41.82</u>	<u>62.62</u>

*\*Note:* The earnings per share presented above have not taken into account the potential capitalisation issue. On 4 March 2021, the Company's directors conditionally resolved to approve the capitalisation issue of 560,000,000 shares to the existing shareholders of the Company upon the Listing. The Company's basic and diluted earnings per share will be RMB0.08 per share and RMB0.11 per share for the years ended 31 December 2019 and 2020, respectively, assuming the completion of such capitalisation issue, which has not become effective as at the date of this prospectus, be taken place since 1 January 2019.

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all potentially dilutive ordinary shares.

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 31 December 2019 and 2020.

## 9 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
<b>Trade receivables (a)</b>		
Current:		
Trade receivables	405,660	498,438
Less: provision for impairment	(5,214)	(4,984)
	<u>400,446</u>	<u>493,454</u>
Non-current:		
Retention receivables	17,540	18,074
Less: provision for impairment	(197)	(188)
	<u>17,343</u>	<u>17,886</u>
Total	<u>417,789</u>	<u>511,340</u>
<b>Prepayments, deposits and other receivables</b>		
Prepayments for raw materials and operating expenses	8,006	6,621
Refundable deposits receivable	3,048	3,783
Prepayments for listing expenses	2,046	3,831
Other receivables	2,282	1,532
Total	<u>15,382</u>	<u>15,767</u>
Total	<u>433,171</u>	<u>527,107</u>

**(a) Trade receivables**

The Group is engaged in manufacturing and sale of concrete and precast building component products. The Group's customers are mainly construction companies for various types of construction projects including residential, commercial, industrial, municipal and infrastructure projects for the public and private sectors. The credit terms grant to customers are generally within 40 days.

Certain of the Group's sales receivables are required to be held back the settlement for up to 6 months after the completion of defects liability periods grant to the customers which normally last for 3 months to 24 months. The Group is responsible for remedial works, which may arise from the defective works or materials used and the related costs are usually immaterial. In the consolidated statements of financial position, retention receivables are presented as non-current assets.

**(i) Transferred receivables**

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained

late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its consolidated statement of financial position. The amount repayable under the factoring agreement is presented as secured borrowing. The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts were as follows:

	As at 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
Transferred receivables associated with secured borrowing ( <i>note 11</i> )	—	1,000

(ii) *Ageing analysis of trade receivables*

The ageing analysis of the trade receivables on demand and retention receivables as at the balance sheet dates based on invoice date was as follows:

	As at 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
Within 1 year	373,339	422,912
1 and 2 years	41,106	81,685
2 and 3 years	7,229	9,012
Over 3 years	1,526	2,903
	<u>423,200</u>	<u>516,512</u>

(iii) *Impairment of trade receivables*

The Group applies the simplified approach to provide for expected credit loss, which was a lifetime expected loss allowance for all trade receivables and retention receivables as prescribed by HKFRS 9.

The movements in provision for impairment of trade receivables were as follows:

	Year ended 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
As at 1 January	3,980	5,411
Loss allowance recognised in profit or loss during the year	<u>1,431</u>	<u>(239)</u>
As at 31 December	<u>5,411</u>	<u>5,172</u>

## 10 TRADE AND BILLS PAYABLES AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
<b>Trade and bills payables</b>		
Trade payables		
— Related parties	289	—
— Third parties	270,505	270,310
	270,794	270,310
Bills payable	15,700	15,700
Total trade and bills payables	286,494	286,010
<b>Other payables and accruals</b>		
Payables for purchase of property, plant and equipment	6,283	9,224
Employee benefits payables	6,717	6,227
Accrual for operating expenses	7,418	19,996
Interest payable	670	690
Other taxes payable excluding income tax liabilities	6,791	18,106
Payable for listing expenses	1,302	2,019
Others	2,254	2,411
Total other payables and accruals	31,435	58,673
	317,929	344,683

The ageing analysis of trade and bills payables as at 31 December 2019 and 2020 based on invoice date was as follows:

	As at 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
Within 1 year	285,915	285,106
1–2 years	579	904
	286,494	286,010

The carrying amounts of trade and bills payables and other payables and accruals approximated their fair values as at the balance sheet dates due to their short-term nature.

## 11 BORROWINGS

	As at 31 December					
	2019			2020		
	RMB'000			RMB'000 (Unaudited)		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings (i)						
— Secured	104,000	—	104,000	141,500	—	141,500
— Unsecured	18,000	—	18,000	18,000	—	18,000
	<u>122,000</u>	<u>—</u>	<u>122,000</u>	<u>159,500</u>	<u>—</u>	<u>159,500</u>
Entrusted loans from a third party (ii)						
— Unsecured	—	68,790	68,790	—	68,790	68,790
Total borrowings	<u>122,000</u>	<u>68,790</u>	<u>190,790</u>	<u>159,500</u>	<u>68,790</u>	<u>228,290</u>

## (i) Bank borrowings

The bank borrowings of the Group as at 31 December 2019 and 2020 were secured by the pledge of assets of the Group as set out below, corporate guarantees provided by two subsidiaries of the Group, and guarantees from Mr. Ye Zhijie, Mr. Huang Wengui and his spouse and one independent third party credit guarantee corporation.

	As at 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
<i>Assets of the Group pledged as securities:</i>		
— Property, plant and equipment	45,751	45,533
— Right-of-use assets	22,361	21,740
— Investment properties	7,578	7,214
— Transferred receivables	—	1,000
Total	<u>75,690</u>	<u>75,487</u>

For the years ended 31 December 2019 and 2020, the weighted average effective interest rates on bank borrowings were 5.64% and 5.17% respectively.

The carrying amounts of the Group's bank loans were denominated in RMB.

## (ii) Entrusted loans from a third party

The Group obtained three two-year long-term loans totalling RMB68,790,000 from a third party through a bank in Xiamen, the PRC, for working capital purpose. The loans were unsecured, interest bearing at 5% per annum and will be due for repayment in October and December 2022.

**(iii) Repayment periods**

At 31 December 2019 and 2020, the Group's borrowings were repayable as follows:

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b> <b>(Unaudited)</b>
Within 1 year	122,000	159,500
Between 1 and 2 years	68,790	68,790
	<u>190,790</u>	<u>228,290</u>

**(iv) Undrawn financing facilities**

The Group had the following undrawn financing facilities:

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b> <b>(Unaudited)</b>
Bank borrowings, at floating rates		
— Expiring within 1 year	50,000	140,510
— Expiring between 1 and 2 years	23,010	—
	<u>73,010</u>	<u>140,510</u>

**12 COMMITMENTS****(a) Capital commitments**

Significant capital expenditure commitments are set out below:

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b> <b>(Unaudited)</b>
Contracted but not provided for:		
— Property, plant and equipment	246	383
	<u>246</u>	<u>383</u>
Share capital of a PRC incorporated subsidiary to be paid up	32,975	32,975
	<u>32,975</u>	<u>32,975</u>

## (b) Non-cancellable short-term operating leases

	As at 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
Warehouses		
— Less than 1 year	2,698	1,947

**13 CONTINGENCIES**

As at 31 December 2019 and 2020, there were no significant contingencies for the Group and the Company.



**MANAGEMENT DISCUSSION AND ANALYSIS****Business Review**

We are a leading manufacturer and supplier of concrete-based building materials in Xiamen, Fujian Province of the PRC. Our principal products can be broadly categorised into two types, namely, (i) ready-mixed concrete and (ii) PC components. During the Track Record Period and up to the Latest Practicable Date, all of our Group's products were sold in the PRC with primary focus in Fujian Province.

Currently, our business operations are primarily based in Xiamen, where two of our wholly-owned production plants, namely the RMC Plant and the PC Plant, and a leased production workshop, namely the Jimei Workshop, are located. Our current aggregate annual production capacity for ready-mixed concrete and PC components is approximately 1,439,000 m<sup>3</sup> and 119,800 m<sup>3</sup>, respectively. For the year ended 31 December 2020, approximately 78.5% of our revenue were derived from construction projects in Xiamen. Given transportation limitations and costs being important factors in making purchase decision for concrete-related products, the proximity of our production plants to customers and our truck fleet capabilities provide our Group with competitive advantage in terms of delivery time and logistics costs as compared to suppliers from further areas within Fujian Province.

For the year ended 31 December 2020, our Group's revenue amounted to approximately RMB784.9 million, representing an increase of approximately RMB194.1 million or 32.9% from approximately RMB590.8 million for the year ended 31 December 2019. We recorded an increase in our gross profit from approximately RMB114.4 million for the year ended 31 December 2019 to approximately RMB152.5 million for the year ended 31 December 2020, representing a year-on-year growth of approximately 33.3%. As a result, our profit for the year increased from approximately RMB41.8 million for the year ended 31 December 2019 to approximately RMB62.6 million for the year ended 31 December 2020. For the year ended 31 December 2020, our gross profit margin was approximately 19.4% and our net profit margin was approximately 8.0%, respectively.

**Future Plans and Prospects**

Our primary objectives are to strengthen our leading market position in Fujian Province and continue to expand our scale of operations to achieve long-term sustainable business growth and increase our market share in the fast-growing PC component industry by pursuing the following strategies:

- Expansion of production capacity of PC components with greater production automation to achieve better production efficiency;
- Enhancing our information technology system;

- Further improve our environmental protection system;
- Truck fleet expansion and replacement strategy.

Except for the estimated non-recurring Listing expenses as disclosed in this prospectus, to the best of our Directors' knowledge, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2020 and up to the date of this prospectus.

## RESULTS OF OPERATIONS

### Revenue

The Group derived its revenue from sales of (i) ready-mixed concrete and (ii) PC component products. For the year ended 31 December 2020, our revenue increased by approximately RMB194.1 million or 32.9% from approximately RMB590.8 million for the year ended 31 December 2019 to approximately RMB784.9 million for the year ended 31 December 2020.

#### *Ready-mixed concrete*

Our revenue derived from sale of ready-mixed concrete increased from approximately RMB446.8 million for they year ended 31 December 2019 to approximately RMB537.4 million for the year ended 31 December 2020, which was mainly due to (i) the overall increase in sales volume of ready-mixed concrete; and (ii) the overall increase in average selling price of our ready-mixed concrete products mainly attributable to our ability to negotiate favorable pricing terms with our customers.

#### *PC components*

Our revenue derived from sale of PC components increased from approximately RMB144.0 million for the year ended 31 December 2019 to approximately RMB247.5 million for the year ended 31 December 2020, which was attributable to the combined effects of (i) increase in revenue from sale of other construction components by approximately RMB145.8 million mainly due to increase in sales volume and average selling price of other construction components; and (ii) decrease in revenue from sales of tunnel segments by approximately RMB42.4 million as our tunnel segment projects on hand were close to their completion.

### Cost of sales

Our cost of sales increased by approximately RMB156.0 million or 32.7% from approximately RMB476.4 million for the year ended 31 December 2019 to approximately RMB632.4 million for the year ended 31 December 2020. Such increase was mainly attributable to the (i) increase in raw material cost by approximately RMB96.5 million mainly due to overall increase in sales volume of our ready-mixed concrete and PC components; and (ii) increase in outsourcing cost by

approximately RMB37.6 million mainly due to increase in reliance on outsourced workers to supplement our production of PC components and on-site assembly works of our underground utility tunnel projects.

### **Gross profit and gross profit margin**

Our Group's overall gross profit increased by approximately RMB38.1 million or 33.3% from approximately RMB114.4 million for the year ended 31 December 2019 to approximately RMB152.5 million for the year ended 31 December 2020. Our Group's overall gross profit margin remained stable at approximately 19.4% for the year ended 31 December 2020.

#### *Ready-mixed concrete*

The gross profit of our Group's ready-mixed concrete increased from approximately RMB72.9 million for the year ended 31 December 2019 to approximately RMB84.2 million for the year ended 31 December 2020. Such increase was primarily due to the foregoing reason for our revenue growth of ready-mixed concrete and the effect was partially offset by the decrease in gross profit margin from approximately 16.3% for the year ended 31 December 2019 to approximately 15.7% for the year ended 31 December 2020 mainly attributable to the change in product grade mix.

#### *PC components*

The gross profit of our Group's PC components increased from approximately RMB41.5 million for the year ended 31 December 2019 to approximately RMB68.3 million for the year ended 31 December 2020 primarily due to the foregoing reason for our revenue growth of PC components. Such increase was partially offset by the slight decrease of gross profit margin from approximately 28.8% for the year ended 31 December 2019 to approximately 27.6% for the year ended 31 December 2020, which was attributable to the change in product mix.

### **Other income**

Our other income increased by approximately RMB1.3 million or 33.9% from RMB3.7 million for the year ended 31 December 2019 to approximately RMB4.9 million for the year ended 31 December 2020 mainly due to the increase in non-recurring government grants and awards.

### **Selling expenses**

Our selling expenses increased by approximately RMB8.3 million or 60.8% from RMB13.7 million for the year ended 31 December 2019 to approximately RMB22.0 million for the year ended 31 December 2020 primarily attributable to the increase in transportation costs mainly due to the increase in sales of PC components to projects outside of Xiamen.

**Administrative expenses**

Our administrative expenses increased by approximately RMB2.1 million or 7.3% from RMB28.2 million for the year ended 31 December 2019 to approximately RMB30.2 million for the year ended 31 December 2020. Such increase was mainly attributable to the increase in the (i) overall salary increment of our administrative staff; and (ii) increase in performance bonus paid to them, which is linked to our production volume.

**Finance costs — net**

Our finance costs — net increased by approximately RMB4.9 million or 55.6% from RMB8.7 million for the year ended 31 December 2019 to approximately RMB13.6 million for the year ended 31 December 2020 primarily due to (i) the additional bank borrowings of RMB37.5 million drawn during the year ended 31 December 2020; and (ii) three entrusted loans with total principals amounting to approximately RMB68.8 million obtained during the fourth quarter of 2019.

**Income tax expense**

Our income tax expense increased by approximately RMB6.9 million or 42.7% from RMB16.1 million for the year ended 31 December 2019 to approximately RMB23.0 million for the year ended 31 December 2020 as a result of the increase in taxable profit from our Group's operation in the PRC.

**Profit and total comprehensive income for the year**

Due to the factors of the foregoing, our profit and total comprehensive income increased from approximately RMB41.8 million for the year ended 31 December 2019 to approximately RMB62.6 million for the year ended 31 December 2020.

## DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

## Net current assets

The following table sets forth our current assets and current liabilities as at the dates indicated.

	As at 31 December	
	2019	2020
	RMB'000	RMB'000 (Unaudited)
<b>Current assets</b>		
Inventories	27,825	50,432
Trade receivables	400,446	493,454
Prepayments, deposits and other receivables	15,382	15,767
Restricted bank balance	4,710	4,710
Cash and bank balances	16,144	30,485
	<u>464,507</u>	<u>594,848</u>
<b>Current liabilities</b>		
Trade and bills payables	286,494	286,010
Other payables and accruals	31,435	58,673
Amounts due to related parties	—	4,789
Current income tax liabilities	4,149	16,514
Borrowings	122,000	159,500
Contract liabilities	12,360	643
Lease liabilities	5,695	6,806
	<u>462,133</u>	<u>532,935</u>
<b>Net current assets</b>	<u>2,374</u>	<u>61,913</u>

## Inventories

Our inventories increased by approximately RMB22.6 million or 81.2% from approximately RMB27.8 million as at 31 December 2019 to approximately RMB50.4 million as at 31 December 2020 mainly attributable to the increase in finished goods of approximately RMB21.3 million as a higher inventory level of PC components was maintained to cope with the increasing demand of our PC components products.

**Trade receivables**

The current portion of our trade receivables increased by approximately RMB93.0 million or 23.2% from approximately RMB400.4 million as at 31 December 2019 to approximately RMB493.5 million as at 31 December 2020. Such increase was mainly attributable to (i) our slower collection of trade receivables from February to May 2020 as a result of the COVID-19 outbreak; (ii) the increase in revenue generated during the fourth quarter from approximately RMB217.9 million during the fourth quarter of 2019 to approximately RMB262.7 million of revenue during the fourth quarter of 2020 and certain amount of which were not yet due for settlement; and (iii) the increase in trade receivables from our SOE customers, who generally have longer settlement periods, of approximately RMB47.2 million.

The following table sets out our turnover days of trade receivables for the relevant years indicated:

	Year ended 31 December	
	2019	2020
	days	days
Trade receivables turnover days ( <i>note</i> )	223.3	216.0

*Note:* Trade receivables turnover days is calculated based on the average of beginning and ending trade receivables balance for the year divided by the sales for the year, and multiplying by the number of days in the year.

Our trade receivables turnover days decreased from approximately 223.3 days for the year ended 31 December 2019 to approximately 216.0 days for the year ended 31 December 2020 as a result of our Group's efforts to collect overdue trade receivables.

**Prepayments, deposits and other receivables**

Our prepayments, deposits and other receivables remained at a similar level of approximately RMB15.4 million and RMB15.8 million as at 31 December 2019 and 2020 respectively, which was attributable to the combined effects of (i) increase in prepayments for Listing expenses of approximately RMB1.8 million; and (ii) decrease in prepayments for raw materials and operating expenses of approximately RMB1.4 million mainly due to the decrease in prepaid operating expenses in relation to labour outsourcing services.

**Trade and bills payables**

Our trade and bills payable remained at a similar level of approximately RMB286.5 million and RMB286.0 million as at 31 December 2019 and 2020 respectively.

The following table sets out our turnover days of trade and bills payables for the relevant years indicated:

	Year ended 31 December	
	2019	2020
	days	days
Trade and bills payables turnover days ( <i>note</i> )	<u>205.0</u>	<u>165.2</u>

*Note:* Trade and bills payables turnover days is calculated based on the average of beginning and ending trade and bills payables balance for the year divided by the cost of sales for the year, and multiplying by the number of days in the year.

Our trade and bills payables turnover days decreased from approximately 205.0 days for the year ended 31 December 2019 to approximately 165.2 days for the year ended 31 December 2020. Such decrease was in line with the improvement in our liquidity position and trade receivables turnover days for the year ended 31 December 2020.

#### **Other payables and accruals**

Our other payables and accruals increased by approximately RMB27.2 million or 86.6% from approximately RMB31.4 million as at 31 December 2019 to approximately RMB58.7 million as at 31 December 2020. The increase was primarily attributable to the (i) increase in accrual for operating expenses of approximately RMB12.6 million primarily in relation to labour outsourcing services; and (ii) increase in other taxes payable of approximately RMB11.3 million mainly due to increase in VAT payable.

## KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the relevant years indicated:

	As at 31 December	
	2019	2020
Current ratio <sup>(Note 1)</sup>	1.0 times	1.1 times
Quick ratio <sup>(Note 2)</sup>	0.9 times	1.0 times
Gearing ratio <sup>(Note 3)</sup>	208.0%	152.8%
Debt to equity ratio <sup>(Note 4)</sup>	192.6%	134.6%
	Year ended 31 December	
	2019	2020
Return on equity <sup>(Note 5)</sup>	40.1%	37.5%
Return on assets <sup>(Note 6)</sup>	6.2%	7.7%
Net profit margin <sup>(Note 7)</sup>	7.1%	8.0%
Interest coverage ratio <sup>(Note 8)</sup>	7.6 times	7.3 times

## Notes:

- (1) Current ratio is calculated based on total current assets divided by total current liabilities as at the relevant year end.
- (2) Quick ratio represents current assets (net of inventories) divided by total current liabilities as at the relevant year end.
- (3) Gearing ratio is calculated based on total debt (being (i) total borrowings and (ii) interest-bearing loans from Mr. Ye and Mr. Huang) divided by total equity as at the relevant year end and multiplied by 100%.
- (4) Debt to equity ratio represents net debt (being total debt net of cash and cash equivalents) divided by total equity as at the relevant year end and multiplied by 100%.
- (5) Return on equity is calculated by profit for the year divided by the total shareholders' equity as at the relevant year end and multiplied by 100%.
- (6) Return on assets is calculated by profit for the year divided by the total assets as at the relevant year end and multiplied by 100%.
- (7) Net profit margin is calculated by dividing profit for the year by revenue as at the relevant year end and multiplied by 100%.
- (8) Interest coverage ratio is calculated by dividing operating profit for the year by net finance costs as at the relevant year end.



**Current ratio**

Our Group's current ratio remained stable at approximately 1.0 times and 1.1 times as at 31 December 2019 and 31 December 2020, respectively.

**Quick ratio**

As at 31 December 2019 and 31 December 2020, our Group's quick ratio were approximately 0.9 times and 1.0 times respectively. The trend in quick ratio was similar to that of the current ratio.

**Gearing ratio**

Our Group's gearing ratio decreased from approximately 208.0% as at 31 December 2019 to approximately 152.8% as at 31 December 2020 mainly due to the increase of our total equity of approximately RMB62.6 million as a result of accumulation of our profit for the year ended 31 December 2020.

**Debt to equity ratio**

Our Group's debt to equity ratio decreased from approximately 192.6% as at 31 December 2019 to approximately 134.6% as at 31 December 2020, primarily attributable to the same reasons for the decrease in gearing ratio mentioned above.

**Return on equity**

Our Group's return on equity decreased from approximately 40.1% for the year ended 31 December 2019 to approximately 37.5% for the year ended 31 December 2020, mainly attributable to our strengthened equity base as a result of accumulation of our net profit.

**Return on assets**

Our Group's return on assets increased from approximately 6.2% for the year ended 31 December 2019 to approximately 7.7% for the year ended 31 December 2020, mainly attributable to the increase in our net profit as a result of the reasons discussed in the section headed "Results of Operations" in this appendix.

**Net profit margin**

Our Group's net profit margin increased from approximately 7.1% for the year ended 31 December 2019 to approximately 8.0% for the year ended 31 December 2020, mainly attributable to the increase in our net profit as a result of the reasons discussed in the section headed "Results of Operations" in this appendix.

**Interest coverage ratio**

Our Group's interest coverage ratio remained stable at approximately 7.6 times and 7.3 times as at 31 December 2019 and 31 December 2020, respectively.

**INDEBTEDNESS**

The following table sets forth our indebtedness as at the dates indicated:

	<u>As at 31 December</u>	
	<u>2019</u>	<u>2020</u>
	<b>RMB'000</b>	<b>RMB'000</b> <b>(Unaudited)</b>
<b>Current liabilities</b>		
Borrowings	122,000	159,500
Lease liabilities	5,695	6,806
Amounts due to related parties	<u>—</u>	<u>4,789</u>
	<u>127,695</u>	<u>171,095</u>
<b>Non-current liabilities</b>		
Borrowings	68,790	68,790
Lease liabilities	12,406	10,351
Amounts due to related parties	<u>26,283</u>	<u>26,876</u>
	<u>107,479</u>	<u>106,017</u>
	<u><u>235,174</u></u>	<u><u>277,112</u></u>

As at 31 December 2020, we had (i) bank borrowings of approximately RMB159.5 million repayable within one year; (ii) three two-year entrusted loans from an Independent Third Party of approximately RMB68.8 million repayable between one and two years; (iii) amounts due to related parties of approximately RMB31.7 million, representing the outstanding balances of loans and interest from Mr. Ye and Mr. Huang of approximately RMB26.9 million and Listing expenses paid by Mr. Ye on behalf of our Group of approximately RMB4.8 million; and (iv) lease liabilities of approximately RMB17.2 million. As at 31 December 2020, we had unutilised banking facilities available to us of approximately RMB140.5 million.

Save as aforesaid or as otherwise disclosed herein, we did not have outstanding at the close of business on 31 December 2020, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Please refer to “Financial Information — Quantitative and Qualitative Analysis of Financial Risks” for further information.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

Since we were not yet listed on the Stock Exchange during the year ended 31 December 2020, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (“**Corporate Governance Code**”) was not applicable to us during such period under review. After the Listing, we will comply with all the code provisions set forth in the Corporate Governance Code.

### **REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION**

We established an audit committee, which will come into operation with effect from the Listing, in compliance with the Corporate Governance Code. Each of the proposed members of the audit committee will review the 2020 Preliminary Financial Information as set out in this appendix.

The unaudited financial information in respect of our consolidated statement of financial position as at 31 December 2020, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the 2020 Preliminary Financial Information above has been agreed by the Reporting Accountant to the amounts set out in the Group’s unaudited consolidated financial statements for the year ended 31 December 2020 following their work under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The work performed by the Reporting Accountant in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Reporting Accountant on the 2020 Preliminary Financial Information.

### **PURCHASE, SALES OR REDEMPTION OF OUR SHARES**

Since we were not yet listed on the Stock Exchange in during the year ended 31 December 2020, this disclosure requirement is not applicable to us.