
SUMMARY

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.

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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 <i>RMB'000</i>	% of total revenue %	Gross profit margin %	Revenue <i>RMB'000</i>	% of total revenue %	Gross profit margin %	Revenue <i>RMB'000</i>	% of total revenue %	Gross profit margin %
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	<u>274,944</u>	<u>100.0</u>	<u>26.1</u>	<u>287,960</u>	<u>100.0</u>	<u>25.2</u>	<u>319,437</u>	<u>100.0</u>	<u>25.1</u>

* 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 <i>RMB'000</i>	% of revenue generated from construction projects ⁽¹⁾ %	Revenue <i>RMB'000</i>	% of revenue generated from construction projects ⁽¹⁾ %	Revenue <i>RMB'000</i>	% of revenue generated from construction projects ⁽¹⁾ %
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	<u>274,804</u>	<u>100.0</u>	<u>287,149</u>	<u>100.0</u>	<u>318,816</u>	<u>100.0</u>

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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.

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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.

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

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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.

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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.

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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.

SUMMARY

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.

SUMMARY

SELECTED FINANCIAL INFORMATION

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

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>RMB yuan</i>)	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.

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

SUMMARY

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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.

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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:

- 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

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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

SUMMARY

[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.

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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.

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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,

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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.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

SUMMARY

[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”.