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Application Proof of
Jianzhong Construction Technology Limited
建中建設科技有限公司

(the “**Company**”)

(Incorporated in the Cayman Islands with limited liability)

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Jianzhong Construction Technology Limited 建中建設科技有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] Shares
Number of Hong Kong [REDACTED] : [REDACTED] Shares (subject to adjustment)
Number of [REDACTED] : [REDACTED] Shares (subject to adjustment)
[REDACTED] (subject to a [REDACTED]) : Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED] (payable in full on application and subject to refund, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
(If the [REDACTED] is set at 10% below the bottom end of the indicative [REDACTED] range after making a [REDACTED], the [REDACTED] will be HK\$[REDACTED] per [REDACTED])
Nominal value : HK\$0.01 per Share
[REDACTED] : [REDACTED]

Sole Sponsor



[REDACTED], [REDACTED] and [REDACTED]

[REDACTED]

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The final [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company on the [REDACTED], which is expected to be on or around [REDACTED], [REDACTED] and in any event, not later than [REDACTED], [REDACTED]. If, for any reason, the final [REDACTED] is not agreed by [REDACTED], [REDACTED] (or such later date so agreed by our Company and the [REDACTED] for itself and on behalf of the [REDACTED]), between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company, the [REDACTED] will not proceed and will lapse.

The [REDACTED], may, with our consent, reduce the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] range at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.fjzjk.com not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see “Structure and Conditions of the [REDACTED]” and “How to Apply for Hong Kong [REDACTED]”.

The [REDACTED] have not been and will not be registered under the [REDACTED] and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the [REDACTED] and in accordance with any applicable securities laws in U.S.. The [REDACTED] are being offered and sold only outside the United States in offshore transactions in reliance on [REDACTED].

Prior to making an investment decision, [REDACTED] should consider carefully all of the information contained in this document, including the risk factors set out in “Risk Factors”.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds for termination arise prior to 8:00 a.m. on the [REDACTED]. Such grounds are set out in “[REDACTED] – [REDACTED] arrangements – [REDACTED] – Grounds for termination”.

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO [REDACTED]

This document is issued by our Company solely in connection with the [REDACTED] and Hong Kong [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than Hong Kong [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sales of the [REDACTED] in other jurisdictions are subject to restrictions, any may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this document. Any information or representation not made in this document must not be relied upon by you as having been authorised by us, the Sole Sponsor, the [REDACTED], [REDACTED], [REDACTED], the [REDACTED], any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole documents before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in “Risk Factors. 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”.

OVERVIEW

We are a leading and fast-growing construction services provider based in Fujian Province which specialises in offering one-stop solutions in foundation works. Our founder, Mr. Xun MH, who was educated in Anhui Province, established our major operating subsidiary, Jianzhong Construction Technology in Fujian Province in 2012, which was focused on trading and leasing of construction machinery, equipment and tools. Trading and leasing of construction machinery, equipment and tools has historically been our major strength and has enabled us to accumulate substantial resources, technical expertise and capability in the construction industry. Since then, we have developed as a regional foundation works service provider in Fujian Province, with our footprint across a number of provinces in the PRC.

Our business mainly covers foundation works (including bored pile, H-piles, Larssen sheet piles, diaphragm wall and tunnelling works). To complement our foundation works service, we also provide a wide spectrum of other construction services including (i) formwork and scaffolding works (including formwork and falsework design, manufacturing of scaffolds and erection services); (ii) construction of sewage treatment infrastructure; and (iii) other construction works (mainly E&M engineering works). We also have an extensive fleet of construction machinery and equipment, which enables us to handle complicated and/or sizable construction works, thus allowing us to capture more opportunities in the construction market and engage in construction machinery, equipment and tools leasing services. We also operate a sewage treatment plant and engage in the sales of construction materials and equipment and others.

We distinguish ourselves from traditional foundation works companies by our (i) emphasis on R&D (with 44 patents registered as at the Latest Practicable Date); (ii) possession of an extensive fleet of construction machinery and equipment (with (a) over 900 units of construction machinery and equipment; and (b) over 50,000 tons of H-piles and Larssen sheet piles as at 31 May 2019); and (iii) production base (with factory area of approximately 8,600 sq.m.), which enables us to offer our customers convenient one-stop foundation works solutions to obtain comprehensive and diversified services with good quality and competitive pricing.

SUMMARY

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, we were engaged in eight, 70, 173 and 198 construction works projects, respectively, which contributed to our revenue. The following table sets forth the breakdown of such contracts based on their respective range of revenue recognised during the Track Record Period:

	For the year ended 31 December			For the year ended 31 May
	2016	2017	2018	2019
Revenue recognised				
RMB50,000,000 or above	–	1	2	–
RMB10,000,000 to below				
RMB50,000,000	4	13	26	19
RMB5,000,000 to below RMB10,000,000	–	9	29	12
Below RMB5,000,000	4	47	116	167
Total	<u>8</u>	<u>70</u>	<u>173</u>	<u>198</u>

During the Track Record Period and up to the Latest Practicable Date, we had completed 100 construction works projects with a total contract sum of approximately RMB912.5 million.

During the Track Record Period, our Group obtained construction works projects through tender. The following table sets forth the number of projects tendered and won by our Group for each of the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively:

	For the year ended 31 December			For the five months ended 31 May
	2016	2017	2018	2019
Number of tenders submitted	55	125	233	53
Number of contracts awarded to our Group	38	66	135	26
Success rate (%) (Note)	69.1	52.8	57.9	49.1

Note: Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during a financial year by the number of tenders submitted during the financial year.

OUR CUSTOMERS

Our customers, as recognised in our financial statements, include state-owned construction enterprises and real estate developers. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our five largest customers contributed approximately 99.6%, 90.2%, 85.9% and 89.9% of our total revenue, respectively. During the Track Record Period, we derived a significant portion of our revenue from Customer A. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, Customer A accounted for approximately 83.2%, 69.5%, 55.2% and 71.2%, respectively, of our total revenue. For further details of Customer A, please see “Business — Customer concentration”.

SUMMARY

OUR SUPPLIERS AND SUBCONTRACTORS

Our suppliers are mainly comprised of suppliers of materials such as concrete, cement, piles, and steel reinforcing bars. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our five largest suppliers together contributed 55.3%, 38.6%, 35.7% and 34.7%, respectively, of our total purchase of materials, while our largest supplier in each year/period accounted for 16.8%, 11.6%, 12.1% and 15.3%, respectively, of our total purchase of materials for the corresponding period. During the Track Record Period, we also engaged subcontractors which mainly include labour subcontractors on a project-by-project basis to supply the labour force in our construction works projects. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, subcontracting fees of our five largest subcontractors amounted to approximately RMB18.3 million, RMB97.9 million, RMB187.8 million and RMB184.4 million, respectively, representing 100%, 98.9%, 97.4% and 97.2% of our total subcontracting fee, respectively for the corresponding period.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths which differentiate our Group from other competitors: (i) we specialise in foundation works and offer one-stop solutions to our customers; (ii) our quality services have made us a leading and rapidly growing foundation works service provider; (iii) we provide professional operational and technical support for our leasing of construction machinery, equipment and tools to our customers; (iv) we have well-established business relationship with most of our customers; and (v) we have an experienced and professional management team which is supported by a team of R&D staff.

OUR BUSINESS STRATEGIES

We aim to achieve sustainable growth and further strengthen our market position in the foundation works market in the PRC in order to increase long-term shareholder value. To achieve this, we will continue to actively seek business opportunities in the construction industry especially the foundation works market by implementing the following business strategies: (i) expand our market share through continued investments in our construction works projects; (ii) enhance our fleet of construction machinery, equipment and tools; (iii) strengthen our R&D capabilities; and (iv) expand our sales network to capture more business opportunities.

HIGHLIGHTS OF RISK FACTORS

We believe there are certain risks involved in our business and operations. Our major risks include: (i) revenue derived from our construction services are non-recurring in nature. There is no guarantee that our customers will continue to provide us with new business opportunities or that we can secure new contracts; (ii) we may not be able to achieve the same growth in our construction business in the future as we experienced during the Track Record Period; (iii) our Group may be exposed to delays and/or defaults of progress payments by our customers which would materially and adversely affect our cash flows or financial results; (iv) our revenue derived from our sewage treatment operations may be subject to further confirmation and price adjustments by competent authorities; (v) our Group's profit and profit margin attained during the Track Record Period may not be indicative of our future profit and profit margin; and (vi) our Group had a concentration of customers during the Track Record Period.

SUMMARY

SUMMARY OF CONSOLIDATED KEY FINANCIAL INFORMATION

The table below sets out our Group’s consolidated statements of profit or loss and other comprehensive income for the three years ended 31 December 2018 and the five months ended 31 May 2019.

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	156,754	498,857	1,192,750	404,968	611,877
Cost of sales	(118,618)	(368,999)	(907,228)	(306,692)	(472,862)
Gross profit	38,136	129,858	285,522	98,276	139,015
Other net income	336	812	1,762	101	2,256
Administrative expenses	(12,441)	(25,655)	(80,820)	(33,140)	(36,258)
Other operating expenses	(2,455)	(10,016)	(20,362)	(9,125)	(7,025)
Profit from operations	23,576	94,999	186,102	56,112	97,988
Finance costs	(900)	(5,439)	(9,121)	(3,149)	(5,856)
Profit before taxation	22,676	89,560	176,981	52,963	92,132
Income tax	(5,764)	(22,011)	(36,487)	(13,942)	(24,522)
Profit and total income for the year/period	<u>16,912</u>	<u>67,549</u>	<u>140,494</u>	<u>39,021</u>	<u>67,610</u>

Our Group’s revenue increment was mainly attributable to the revenue increment from the provision of construction services. Revenue generated from the provision of construction services increased by approximately 464.0% for the year ended 31 December 2016 to approximately RMB424.4 million for the year ended 31 December 2017 and further increased by approximately 156.4% to approximately RMB1,087.9 million for the year ended 31 December 2018. The above increases were mainly in turn due to the significant growth in revenue from the provision of foundation works during each of the three years ended 31 December 2018. Revenue generated from the provision of construction services increased by approximately RMB202.1 million or 55.3% from approximately RMB365.1 million for the five months ended 31 May 2018 to approximately RMB567.2 million for the five months ended 31 May 2019. Such increase was mainly due to the significant growth in revenue from the provision of formwork and scaffolding works.

Our growth and focus on the foundation works sub-segment of our construction services business commenced when we first obtained the licence of third class professional contractor in foundation engineering works in August 2016, which led to revenue generation of approximately RMB40.1 million from six foundation works projects for the year ended 31 December 2016. For the year ended 31 December 2017, our revenue from foundation works increased by approximately RMB293.2 million or 731.4% to approximately RMB333.3 million generated from 62 projects, of which 56 were new projects. For the year ended 31 December 2018, we were engaged in a total of 131 foundation works projects, 93 of which were new projects which increased our revenue by approximately RMB541.0 million or 162.3% to approximately RMB874.3 million for the year.

SUMMARY

Summary of consolidated statements of financial position

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	223,449	432,335	477,011	487,518
Current assets	91,177	339,160	767,967	928,067
Current liabilities	244,153	404,816	676,903	688,327
Net current (liabilities)/assets	(152,976)	(65,656)	91,064	239,740
Total assets less current liabilities	70,473	366,679	568,075	727,258
Non-current liabilities	15,128	53,785	11,087	14,760
NET ASSETS	55,345	312,894	556,988	712,498

We recorded a net current liabilities position of approximately RMB153.0 million as at 31 December 2016 which was mainly due to a combined effect of (i) trade and other payables of approximately RMB222.1 million; (ii) loans and borrowings of approximately RMB14.8 million; and offset by (iii) trade and other receivables of approximately RMB47.4 million; (iv) inventories of approximately RMB18.5 million; and (v) contract assets of approximately RMB15.0 million. The net current liabilities position decreased by approximately RMB87.3 million or 57.1% to RMB65.7 million as at 31 December 2017. Such decrease was due to an increase in our current assets of approximately 272.0% which was mainly due to the substantial increase in contract assets and trade and other receivables in an aggregate amount by approximately RMB317.0 million. As at 31 December 2018, we turned to a net current assets position of approximately RMB91.1 million. As at 31 May 2019, our net current assets position further solidified to approximately RMB239.7 million.

Summary of consolidated statements of cash flow

	Year ended 31 December			Five months ended 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	60,369	5,588	67,838	(84,933)
Net cash used in investing activities	(80,569)	(201,313)	(90,106)	(59,350)
Net cash generated from financing activities	23,474	193,983	114,031	57,019
Net increase/(decrease) in cash and cash equivalents	3,274	(1,742)	91,763	(87,264)
Cash and cash equivalents at the beginning of the year/period	477	3,751	2,009	93,772
Cash and cash equivalents at the end of the year/period	3,751	2,009	93,772	6,508

As at 31 December 2018, our cash and cash equivalents increased to approximately RMB93.8 million mainly due to capital injections from the [REDACTED] of approximately RMB103.6 million.

SUMMARY

As at 31 May 2019, our cash and cash equivalents decreased to approximately RMB6.5 million which was mainly due to net cash outflow in operating activities of approximately RMB84.9 million.

Key financial ratios

The table below sets forth our selected key financial ratios during and as at the end of each of the Track Record Period:

	Year ended 31 December			Five months ended 31 May
	2016	2017	2018	2019
Return on total assets	5.4%	8.8%	11.3%	11.5%
Return on equity	30.6%	21.6%	25.2%	22.8%
Net profit margin	10.8%	13.5%	11.8%	11.0%
Interest coverage	26.2 times	17.5 times	20.4 times	16.7 times
	As at 31 December			As at 31 May
	2016	2017	2018	2019
Current ratio	0.4 times	0.8 times	1.1 times	1.3 times
Gearing ratio, adjusted	213.8%	60.0%	34.0%	24.9%
Net debt-to-equity ratio, adjusted	207.0%	59.3%	17.1%	23.9%

Please see “Financial Information — Key financial ratios” for the calculation basis of these key financial ratios.

CONTROLLING SHAREHOLDERS’ INFORMATION

Immediately following the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), MHX Investment BVI will hold approximately [REDACTED]% of total issued share capital of our Company. MHX Investment BVI is a company incorporated in the BVI with limited liability and beneficially wholly-owned by Mr. Xun MH. MHX Investment BVI and Mr. Xun MH will be considered as the controlling shareholders of our Company under the Listing Rules upon [REDACTED].

[REDACTED]

Pursuant to the Share Subscription Agreement dated 26 November 2018 entered into between Jianzhong Construction Technology and the [REDACTED], the [REDACTED] agreed to subscribe 37,000,000 new shares of Jianzhong Construction Technology, representing 25.0% of the then issued share capital of Jianzhong Construction Technology at a consideration of RMB103,600,000, which was the net asset value of Jianzhong Construction Technology as at 31 December 2017. The consideration was fully settled in December 2018. Please see “History, Reorganisation and Corporation Structure – [REDACTED]” for further details.

SUMMARY

[REDACTED] EXPENSES

The total estimated [REDACTED] expenses in connection with the [REDACTED] are approximately HK\$[REDACTED] million (based on the mid-point of the [REDACTED] of HK\$[REDACTED] per [REDACTED]), of which (i) approximately HK\$[REDACTED] million and HK\$[REDACTED] million had been charged to our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018 and the five months ended 31 May 2019, respectively; (ii) approximately HK\$[REDACTED] million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the seven months ending 31 December 2019; and (iii) the remaining amount of approximately HK\$[REDACTED] million is expected to be accounted for as a deduction from equity upon the [REDACTED]. Our Directors consider that our financial results will be affected by the expenses in relation to the [REDACTED] as we expect to recognise approximately HK\$[REDACTED] million in the consolidated statements of profit and loss and total comprehensive income for the seven months ending 31 December 2019. Accordingly, the financial performance for the seven months ending 31 December 2019 is expected to be adversely affected by the estimated expenses in relation to the [REDACTED].

DIVIDEND POLICY

There was no dividend declared during the Track Record Period and up to the Latest Practicable Date. We may declare dividends in the future after taking into account the results of operations, earnings, capital requirements, general financial condition, and other factors as our Directors may deem relevant at such time. The declaration of dividends is subject to the discretion of our Directors and the approval of the Shareholders (except for interim dividends) as may be necessary. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of our Company and the Companies Law.

[REDACTED]

We estimate that the aggregate net [REDACTED] to us from the [REDACTED] (after deducting [REDACTED] fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range) will be approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million). We intend to use the net [REDACTED] from the [REDACTED] in the following manner:

- approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of the net [REDACTED] from the [REDACTED] will be used to fund our capital needs and cash flow under our upcoming projects.
- approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of the net [REDACTED] from the [REDACTED] will be used to finance part of our acquisition costs of our additional construction machinery, equipment and tools.
- approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of the net [REDACTED] from the [REDACTED] will be used for working capital and general corporate purposes.

SUMMARY

For further details on our future plans and use of [REDACTED], please see “Future Plans and Use of [REDACTED]”.

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] after a [REDACTED] of 10%	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
	[REDACTED] million	[REDACTED] million	[REDACTED] million
[REDACTED] (Note 1)			
Unaudited pro forma adjusted consolidated net tangible asset value per Share	HK\$[REDACTED]	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

1. The calculation of [REDACTED] is based on [REDACTED] Shares expected to issued under the [REDACTED], and assuming that [REDACTED] Shares are issued and outstanding after completion of the Capitalisation Issue and immediately following the completion of the [REDACTED].
2. The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in “A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” in Appendix II and on the basis that [REDACTED] Shares are issued and outstanding after completion of the Capitalisation Issue and immediately following the completion of the [REDACTED].

LITIGATION AND LEGAL COMPLIANCE

During the Track Record Period and as at the Latest Practicable Date, save as disclosed in “Business — legal proceedings and compliance”, our Group had not been involved in claims or litigations which had material adverse effect on our business results of operations or financial conditions.

During the Track Record Period, we failed to make social security contributions and payment contributions of the housing provident fund for certain employee in compliance with applicable laws and regulations in the PRC during the Track Record Period. Please see “Business — legal proceedings and compliance” for further details.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, 20 new projects with total contract value of approximately RMB164.6 million were awarded to our Group. As at the Latest Practicable Date, we had 177 projects on hand (including projects in progress and projects which were awarded to us but have yet to commence) with a total outstanding contract sum of approximately RMB1,093.3 million. Furthermore, as at the Latest Practicable Date, we are in the process of applying for the qualification as a “High and New Technology Enterprise* (高新技術企業)”. If the application is approved, our relevant subsidiary will be entitled to a preferential income tax rate of 15.0%.

Save as disclosed in this paragraph and “[REDACTED] Expenses” above, our Directors confirm that after the Track Record Period and up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there is no event since 31 May 2019 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in “Glossary of Technical Terms”.

“Accountants’ Report”	the accountants’ report set out in Appendix I to this document
“Anhui Jianrun”	Anhui Jianrun New Buildings Materials Co., Ltd.* (安徽省建潤新型建材有限公司), a limited liability company established in the PRC on 15 May 2018 and an indirect wholly-owned subsidiary of our Company after the Reorganisation
[REDACTED]	
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on [•], and effective on the [REDACTED] , as amended or supplemented from time to time, a summary of which is set out in Appendix III to this document
“Audit Committee”	the audit committee of our Company established by our Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day”	any day (other than a Saturday, a Sunday or a public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the allotment and issue of [REDACTED] Shares to be made upon capitalisation of part of the share premium account of our Company upon completion of the [REDACTED] referred to in the paragraph “Further information about our Group — Written resolutions of our Shareholders passed on [•]” in Appendix IV to this document
“Cayman Companies Law” or “Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	chairman of our Board, being Mr. Xun MH
“Chief Executive Officer”	chief executive officer of our Company, being Mr. Xun MH
“China” or “PRC”	the People’s Republic of China, but for the purposes of this document and for geographical reference only (unless otherwise indicated), excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we or “us”	Jianzhong Construction Technology Limited (建中建設科技有限公司) (formerly known as Jianzhong Technology Development Limited (建中科技發展有限公司)), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 5 February 2019, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [•] 2019
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in case of our Company, means Mr. Xun MH and MHX Investment BVI
“Corporate Governance Code”	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules

DEFINITIONS

“Covenantor(s)” or “Indemnifier(s)”	the Controlling Shareholders or any one of them
“Customer A”	Customer A is one of the largest investment and construction groups in the PRC and a state-owned key in the PRC construction industry enterprise directly managed by the PRC Government. Customer A mainly carries out business management activities through its subsidiary, a company listed on the Shanghai Stock Exchange, which in turn is either the controlling shareholder or a parent company of other listed companies and subsidiaries. During the Track Record Period, we had business relationship with 11 of its subsidiaries, of which CSCEC Strait Construction and Development Co., Ltd. (中 建 海 峽 建 設 發 展 有 限 公 司) contributed to most of our revenue during the Track Record Period
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
“Conch Venture Development”	Conch Venture Development Limited (海螺創業發展有限公司), a company incorporated in Hong Kong with limited liability on 15 May 2017 and the holding company of CV Construction BVI, and one of our substantial Shareholders
“CV Construction BVI”	CV Construction Capital Limited (海創建設資本有限公司), a company incorporated in the BVI with limited liability on 31 January 2019 and one of our substantial Shareholders
“Deed of Indemnity”	the deed of indemnity dated [•] and entered into between our Controlling Shareholders in favour of our Company with particulars set out in “Other information – Tax and other indemnities” in Appendix IV to this document
“Deed of Non-competition”	the deed of non-competition undertaking dated [•] and executed by the Controlling Shareholders in favour of our Company, details of which are set out in “Relationship with our Controlling Shareholders”
“Director(s)” or “our Director(s)”	the director(s) of our Company

[REDACTED]

“EIT”	the PRC Enterprise Income Tax
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DEFINITIONS

“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the PRC National People’s Congress
“EIT Rules”	the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例)
“Executive Director(s)”	the executive director(s) of our Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc. Shanghai Branch Co., an industry research consultant and an independent third party
“F&S Report”	the industry report issued by Frost & Sullivan, details of which are set out in “Industry Overview”
“Fujian Runjiang”	Fujian Runjiang Industrial Group Limited (福建省潤江實業集團有限公司), a limited liability company established in the PRC on 26 April 2011 and owned as to 95.0% by Mr. Xun MH
“Furi Investment BVI”	Furi Investment Limited, a company incorporated in the BVI with limited liability on 31 January 2019 and one of our Shareholders
“Furi Investment Partnership”	Fujian Furi Investment Partnership (Limited Partnership) (福建省福瑞投資合夥企業(有限合夥)), a limited partnership established in the PRC on 20 November 2018
“Furi Shareholders”	collectively the shareholders who own the issued shares of Furi Investment BVI and the details of which are set out in “History, Reorganisation and corporate structure — Corporate Structure”, and “Furi Shareholder” means any one of them
	[REDACTED]
	[REDACTED]
“Group”, “our Group”, “our”, “we” or “us”	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of the present subsidiaries, the present subsidiaries and the businesses carried on by the subsidiaries or, as the case may be, the predecessors
“Guangdong Haizhijian Engineering”	Guangdong Haizhijian Engineering Technology Co., Ltd.* (廣東海之建工程科技有限公司), a limited liability company established in the PRC on 7 January 2019 and an indirect wholly-owned subsidiary of our Company after the Reorganisation

DEFINITIONS

[REDACTED]

[REDACTED]

“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC

[REDACTED]

[REDACTED]

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange”	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
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[REDACTED]

DEFINITIONS

[REDACTED]

“Independent
Non-executive
Director(s)” the independent non-executive director(s) of our Company

“independent third
party(ies)” a person or persons or a company or companies which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not or are not a connected person(s)

[REDACTED]

“Jianzhong Construction
Technology” Fujian Jianzhong Construction Technology Co., Ltd. (福建建中建設科技有限責任公司) (formerly known as Fujian Jianzhong Construction Machinery Leasing Co., Ltd. (福建省建中建築機械租賃有限公司), Fujian Jianzhong Construction Technology Co., Ltd. (福建省建中建設科技有限公司) and Fujian Jianzhong Construction Technology Co., Ltd. (福建建中建設科技股份有限公司)), a limited liability company established in the PRC on 5 December 2012 and an indirect wholly-owned subsidiary of our Company after the Reorganisation. It was listed on the NEEQ on 20 December 2016 and de-listed from the NEEQ on 28 August 2018

DEFINITIONS

“Jianzhong Engineering Equipment”	Fujian Jianzhong Engineering Equipment Co., Ltd.* (福建省建中工程設備有限公司), a limited liability company established in the PRC on 27 October 2017 and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Jianzhong Environmental Technology”	Fujian Jianzhong Environmental Technology Co., Ltd.* (福建省建中環保科技有限公司), a limited liability company established in the PRC on 18 January 2018, and an indirect wholly-wholly subsidiary of our Company after the Reorganisation
“Jianzhong Holdings (Hong Kong)”	Jianzhong Holdings (Hong Kong) Limited (建中控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on 25 February 2019 and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Jianzhong Holdings BVI”	Jianzhong Holdings Limited, a company incorporated in the BVI with limited liability on 18 February 2019 and a direct wholly-owned subsidiary of our Company after the Reorganisation
“Jianzhong Investment Partnership”	Fuzhou Development Zone Jianzhong Investment Management Partnership (Limited Partnership)* (福州開發區建中投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on 14 January 2016
“Jianzhong Investment Consultancy”	Fujian Jianzhong Investment Consultancy Co., Ltd.* (福建省建中投資諮詢有限公司), a limited liability company established in the PRC on 1 April 2019 and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Jianzhong Labour Engineering”	Fujian Jianzhong Labour Engineering Co., Ltd.* (福建建中勞務工程有限公司), a limited liability company established in the PRC on 18 May 2011 and owned by Mr. Xun MH as to 49.0% and Fujian Runjiang as to 51.0%
“Jianzhong Logistic”	Fujian Jianzhong Logistic Co., Ltd.* (福建建中物流有限公司), a limited liability company established in the PRC on 24 January 2017 and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Jianzhong Technology (Pingtan)”	Jianzhong Technology (Pingtan) Co., Ltd* (建中科技(平潭)有限公司), a limited liability company established in the PRC on 7 August 2017 and an indirect wholly-owned subsidiary of our Company after the Reorganisation

DEFINITIONS

“Jianzhong WOFE”	Fujian Jianzhong Corporate Management Co., Ltd. (福建省建中企業管理有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability on 22 March 2019 and an indirect wholly-owned subsidiary of our Company after the Reorganisation
“JingH Investment BVI”	JingH Investment Limited, a company incorporated in the BVI with limited liability on 31 January 2019 and a Shareholder of our Company
“JingH Investment Partnership”	Fujian JingH Investment Partnership (Limited Partnership) (福建省晶海投資合夥企業(有限合夥)), a limited partnership established in the PRC on 20 November 2018
“JingH Shareholders”	collectively the shareholders, who own the issued shares of JingH Investment BVI and the details of which are set out in “History, Reorganisation and Corporate Structure — Corporate structure” and “JingH Shareholder” means any one of them
“Latest Practicable Date”	[20 August 2019], being the latest practicable date for ascertaining certain information in this document prior to its publication
	[REDACTED]
“Listing Committee”	the Listing Committee of the Stock Exchange
	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the GEM of the Stock Exchange (excluding the options market) and which continues to be operated by the Stock Exchange in parallel with the GEM of the Stock Exchange
“M&A Rules”	the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on 8 August 2006 and amended by MOFCOM on 22 June 2009
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company conditional adopted on [•] and effective on the [REDACTED] , a summary of which is set out in Appendix III to this document, as amended or supplemented from time to time

DEFINITIONS

“MHX Investment BVI”	MHX Investment Limited, a company incorporated in the BVI with limited liability on 31 January 2019 and one of our Controlling Shareholders
“Ming Xin Construction”	Ming Xin Construction Material Trading Company Limited (Fuzhou Development Region) (福州開發區名信建材貿易有限公司), a limited liability company established in the PRC on 15 March 2004 and owned as to 51.0% and 49.0% by Fujian Runjiang and Mr. Xun MH
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
“MOHURD”	the Ministry of Housing and Urban-rural Development of the PRC (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction of the PRC (中華人民共和國建設部)
“Mr. Ni”	Mr. Ni Xingshou (倪行壽), one of our senior management and a JingH Shareholder
“Mr. Xun LB”	Mr. Xun Liangbao (荀良寶), a Non-executive Director and a Furi Shareholder
“Mr. Xun MH”	Mr. Xun Minghong (荀名紅), an Executive Director, Chairman, Chief Executive Officer and one of our Controlling Shareholders
“Ms. Zheng”	Ms. Zheng Ping (鄭萍), an Executive Director and a JingH Shareholder
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEEQ”	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Non-executive Director(s)”	the non-executive director(s) of our Company
“Nomination Committee”	the nomination committee of our Company established by our Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

[REDACTED]

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC GAAP”	the generally accepted accounting principles in the PRC
“PRC Government” or “State”	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Jingtian & Gongcheng, the legal advisers to our Company as to PRC laws

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

“Remuneration Committee”	the remuneration committee of our Company established by our Board
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DEFINITIONS

“Reorganisation”	the reorganisation arrangements undergone by us in preparation for the [REDACTED] as described in “History, Reorganisation and Corporate Structure — Reorganisation” and in the paragraph “Further information about our Group — Corporate Reorganisation” in Appendix IV to this document
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
“SAFA Circular 13”	the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知)
“SAFE Circular 37”	the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)
“SAIC”	the State Administration for Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局)
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of HK\$0.01 each
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on [•], the principal terms of which are summarised in the paragraph “Share Option Scheme” in Appendix IV to this document

DEFINITIONS

“Share Subscription Agreement” the share subscription agreement entered into between the [REDACTED] and Jianzhong Construction Technology on 26 November 2018 in relation to the subscription of 37,000,000 new shares of Jianzhong Construction Technology, details of which are set out in “History, Reorganisation and Corporation Structure — [REDACTED]”

[REDACTED]

“Sole Sponsor” VMS Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, acting as the sponsor to the [REDACTED]

“State Council” State Council of the People’s Republic of China (中華人民共和國國務院)

“subsidiary(ies)” has the meaning ascribed to it in section 15 of the Companies Ordinance

“Takeovers Code” the Codes on Takeovers and Mergers and Share Buy-back issued by SFC, as amended, supplemented or otherwise modified from time to time

“Track Record Period” comprises the three financial years ended 31 December 2018 and five months ended 31 May 2019

[REDACTED]

[REDACTED]

“United States” or “U.S.” the United States of America

[REDACTED] the [REDACTED] of 1933, as amended, supplemented or otherwise modified from time to time

“US\$” or “U.S. dollars” the lawful currency for the time being of the United States

“VAT” value-added tax

[REDACTED]

DEFINITIONS

“Withdrawal Mechanism” a mechanism which requires our Company, among other things, to (a) issue a supplemental [REDACTED] as a result of material changes in the information in this document; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for Shares despite the change

[REDACTED]

“%” per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as at the Latest Practicable Date.

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

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this document is for identification purposes only. To the extent there is any inconsistency between the Chinese name of the PRC entities, enterprises, nationals, facilities, regulations and their Chinese translation, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of industry terms contains explanation of certain terms used in this document as they relate to the industry in which our Company operates its business. These terms and their given meaning may not correspond to standard industry meaning or usage.

“bentonite slurry”	combination of sodium bentonite slurry that can be used to form a solid protective barrier in the ground in the construction of special foundations for digging diaphragm walls and bored piles
“bored piles”	also known as replacement piles, are reinforced-concrete foundation and are a commonly-used form of building foundation that provide support for structures, transferring their load to layers of soil or rock that have sufficient bearing capacity and suitable settlement characteristics
“diaphragm wall”	a structural wall constructed in a deep trench excavation
“GDP”	gross domestic product
“E&M engineering”	electrical and mechanical engineering
“formwork(s)”	the mould against which concrete is cast and which gives the shape and finish to the concrete surface
“jacking”	the actual pushing of pipe or casing in an excavated hole
“jacking shaft”	an excavation, by hand or by jacking machine, in the earth of specified length, depth and width for placing the pipes, casings or the like on the required line and grade
“Larsen sheet pile(s)”	a type of sheet pile segments with indented profiles interlock to form a wall with alternating indents and outdents
“mini-pile(s)”	a type of piles which consist of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400 mm in diameter
“Pan Pearl River Delta Megalopolis”	The megalopolis that covers nine provinces in southern, eastern and western China and two special administrative regions, namely Fujian Province, Guangdong Province, the Guangxi Zhuang Autonomous Region, Guizhou Province, Hainan Province, Hunan Province, Jiangxi Province, Sichuan Province, Yunnan Province, the Hong Kong Special Administrative Region and the Macau Special Administrative Region

GLOSSARY OF TECHNICAL TERMS

“pile”	a structural beam that is made of steel, concrete or timber, which may be used in the construction of a foundation
“pile cap”	a reinforced concrete structure constructed on top of the pile, which is used to transfer the superstructure load to the pile
“pipe jacking”	a system of directly installing pipes behind a shield machine by hydraulic jacking from a driveshaft such that the pipes form a continuous string in the ground
“R&D”	research and development
“reception shaft”	excavation into which trenchless technology equipment is driven and recovered following the installation of the product pipe, conduit or cable
“sheet pile”	normally a steel section with interlocking edges that are driven into the ground to provide earth retention and excavation support
“shield”	a structure that is able to withstand the forces imposed on it by a cave-in and thereby protect machine operators or machineries within the structure
“SMW”	refers to soil mixing wall, which is an underground wall created by mixing soil and cement. Various methods of soil mixing such as mechanical, hydraulic, with and without air, and combinations of both types can be used
“trenchless works”	the installation, replacement or renewal of underground utilities without breaking the ground and surface disruption
“Yangtze River Delta Megalopolis”	the megalopolis that covers 26 PRC cities, covering Nanjing, Zhenjiang, Yangzhou, Changzhou, Suzhou, Wuxi, Nantong, Taizhou and Yancheng in Jiangsu Province, Hangzhou, Jiaxing, Huzhou, Shaoxing, Ningbo, Zhoushan, Jinhua and Taizhou in Zhejiang Province, Hefei, Wuhu, Chuzhou, Ma’Anshan, Tongling, Chizhou, Anqing, Xuancheng in Anhui Province and Shanghai

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and [REDACTED]”. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the performance of global and the PRC financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the business opportunities that we may pursue;
- our dividend policy; and
- the amount and nature of, and potential for, future development of our business.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future occurrence of such events. Actual outcomes may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- our ability to collect our receivables and recover the amount due from our customers for contract works;
- our ability to sustain and achieve growth of existing businesses and expansion of operations through investments;
- our ability to integrate new businesses and create synergies;
- changes in the governmental policies, laws or regulations of the relevant jurisdictions in which we operate in;
- our ability to attract and retain customers;
- our ability to attract and retain qualified employees and key personnel;

FORWARD-LOOKING STATEMENTS

- our ability to protect our brand, trademarks or other intellectual property rights;
- global and the PRC general economic, market and business conditions; and
- the other risk factors discussed in this document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors”.

RISK FACTORS

In addition to other information in this document, you should carefully consider the following risk factors before making any investment decision in relation to the [REDACTED]. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the [REDACTED] and cause you to lose part or all of the value of your investment in the [REDACTED].

RISKS RELATING TO OUR BUSINESS

Revenue derived from our construction services are non-recurring in nature. There is no guarantee that our customers will continue to provide us with new business opportunities or that we can secure new contracts

Our Group is principally engaged in construction works service, which mainly include (i) foundation works; (ii) formwork and scaffolding works; (iii) construction of sewage treatment infrastructure; and (iv) other construction works (mainly E&M engineering works). For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, the revenue derived from our construction services which we offered represented approximately 48.0%, 85.1%, 91.2% and 92.7% of our total revenue, respectively. Our construction works service were offered on a project-by-project basis with no long term commitment with any of our customers in this segment.

As at the Latest Practicable Date, we had a total of 177 projects on hand (including projects in progress and projects which were awarded to us but have yet to commence), and upon the completion of these ongoing construction works projects, our customers are not obliged to engage us again in subsequent construction works projects. Furthermore, for the construction works project which we will potentially engage in, we are required to undergo the entire tender selection process in order to be awarded with a new project. As such, the revenue attributable to our construction works service is not recurring in nature.

Further to the above, we cannot guarantee that our existing customers will award new construction works projects to us, nor is there a guarantee that we will be able to maintain our business relationship with our current customers, or that the customers will require of our construction works service again after completion of the projects. In the event that we are unable to attract new customers or secure new construction works projects from our current customers, our Group’s revenue or profit may decrease significantly and adversely affect our business, financial condition or results of operations.

We may not be able to achieve the same growth in our construction business in the future as we experienced during the Track Record Period

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our revenue amounted to RMB156.8 million, RMB498.9 million, RMB1,192.8 million and RMB611.9 million, respectively, representing a growth on a CAGR basis of 96.7% between 2016 and 2018. For each of the three years ended 31 December 2018, and the five months ended 31 May 2019, our gross profit amounted to RMB38.1 million, RMB129.9 million, RMB285.5 million and RMB139.0 million, respectively, representing a growth on a CAGR basis of 95.6% between 2016 to 2018.

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We may not be able to sustain our historical growth for various reasons, including but not limited to our Group's ability to cope with the changing demand and requirements from customers, fierce competition in the PRC construction industry and the cost of materials. If there is a switch of customer demand or requirements, we may not be able to provide construction works services to address these changing preferences, accordingly, our profitability and financial position may be materially and adversely affected. Our historical financial performance does not have any positive implication, nor would it necessarily reflect our financial performance in the future, which will largely depend on our capability to secure new construction works projects, control our costs and expenditures and project implementation. The profit margins and income of our Group's projects may fluctuate from project to project, and the historical revenue from our provision of construction works service to the projects in the past may not be indicative of our future revenue or profitability. [REDACTED] should be aware of the risk of our Group's failure to secure future construction works projects when considering our Group's financial results. Further, there will also be a one-off, non-recurring [REDACTED] expenses of around RMB[REDACTED] million which is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2019 which may affect our Group's profit in the year ending 31 December 2019.

Our Group may be exposed to delays and/or defaults of progress payments by our customers which would materially and adversely affect our cash flows or financial results

Since we generally receive payment from our customers in stages based on the terms of the contracts entered into with our customers, we incur significant portions of our operating costs and setting-up expenses associated with a project, including labour and material costs, at the initial stage of a project and well before we receive any progress payment from our customers. As a result, there may be periods during which we may experience net cash outflows for a particular project as well as on an overall basis. Therefore, we are constantly subject to credit risks of our customers and our liquidity is dependent on having our customers promptly settle progress payments and retention monies owed to us.

Additionally, over the course of our construction works projects, there is typically a mismatch between the time of receipt of progress payments from our customers and the time of payment to our suppliers. We may be required to pay for the material costs and other costs incurred from engaging our suppliers prior to receiving progress payments, which in turn may substantially affect our operational cash flow.

Furthermore, we undertake a number of projects concurrently at any given period, and the cash outflows of a particular project are normally compensated by the cash inflows of other projects. If, at a particular point in time, the mix of our projects are such that more are at the initial stage, or if we take up too many significant projects concurrently, which require substantial initial setting-up costs, without sufficient cash inflows from other projects, our cash flow position may be materially and adversely affected.

RISK FACTORS

During the Track Record Period, we maintained sufficient working capital primarily through (i) bank loans and other borrowing; (ii) capital injection from equity shareholders; and (iii) the [REDACTED]. However, there is no assurance that we will be able to match the timing and amounts of our cash inflows with that of our payment obligations and other cash outflows. There is also no assurance that we will be able to generate sufficient cash inflows from our business operations to meet our payment obligations. If we are unable to make scheduled payments and other fixed payment obligations as they become due, we may need to re-negotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. There is no assurance that our re-negotiation efforts will be successful or conducted in a timely manner or that we will be able to obtain additional financing on commercially acceptable terms or at all. If we fail to effectively manage our working capital, our ability to meet our payment obligations may be impaired, and our business, results of operations and financial condition may be materially and adversely affected.

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our trade receivables amounted to approximately RMB30.1 million, RMB125.2 million, RMB259.5 million and RMB369.2 million, respectively. The average trade receivable turnover days were approximately 38 days, 57 days, 71 days and 94 days, respectively for the corresponding period. There is no guarantee that the financial position of our customers will remain stable in the future. In the event that our customers experience any financial distress or are unable to settle payments owed to us in a timely manner or at all, our financial condition and results of operations will be materially and adversely affected.

Our revenue derived from our sewage treatment operations may be subject to final confirmation and further price adjustments by competent authorities

During the Track Record Period, we completed the construction and modification of the sewage treatment plant under the BOT Project awarded to us. Pursuant to an agreement (“**Initial Agreement**”) entered into between the sewage treatment operator and the relevant governmental authority of Fuzhou City, we are responsible for the ongoing operation of the sewage treatment plant until 30 April 2030 at a tentative unit price subject to (i) the final approval of tentative unit price by the relevant government authority; and (ii) the signing of a supplemental agreement between the relevant parties. Notwithstanding that, following the completion of the construction and modification of the sewage treatment plant, we commenced the operation of the sewage treatment plant and received revenue in accordance with the tentative unit price under the Initial Agreement. To the best knowledge and belief of our Directors after making all reasonable enquiries, it is estimated that the relevant authority will sign a supplemental agreement with the relevant parties in or around December 2019 whereby the tentative unit price and other terms and conditions of the Initial Agreement will be finalised. We cannot assure you that such final agreement will be entered into by the relevant parties on the terms originally agreed under the Initial Agreement. If such final agreement with the relevant parties is not entered into or such agreement is signed on the terms which materially deviate from those originally agreed under the Initial Agreement or on less favourable commercially acceptable terms, our financial performance and operation of sewage treatment infrastructure may be materially and adversely affected.

RISK FACTORS

Our Group’s profit and profit margin attained during the Track Record Period may not be indicative of our future profit and profit margin

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our gross profit amounted to approximately RMB38.1 million, RMB129.9 million, RMB285.5 million and RMB139.0 million, respectively, whereas our gross profit margin was approximately 24.3%, 26.0%, 23.9% and 22.7%, respectively, for the corresponding period. For discussion of our results of operations, please see “Financial Information — Gross profit and gross profit margin”. The inherent risk of using such historical financial information to project or estimate our financial performance in the future, is that they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate and profit margin for various reasons, including, intensification of competition within the foundation market in the PRC, aggravation in labour shortage, and other unforeseen factors such as adverse weather and geological conditions, any of which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

Furthermore, due to the nature of construction works, our Group’s construction works projects may include unforeseen obstacles, such as difficult sub-soil conditions and increase in labour or other material costs, which may not have been anticipated during the tendering stage which would lead to additional works to be performed by our Group, and thus affect the overall profit margin of our Group’s projects if such amounts cannot be recovered from our customers. Further, since we receive payments from our customers by way of progress payments based on the works done, the approval and certification of which are subject to decision from external parties and not our Group, namely, the relevant professional employed by our customers. Due to the above uncertainties which are beyond our Group’s control, the profit margins and income of our Group’s construction works projects may fluctuate from project-to-project and the historical revenue from our construction works projects may not be indicative of our future revenue.

Our Group had a concentration of customers during the Track Record Period

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our top five customers accounted for approximately 99.6%, 90.2%, 85.9% and 89.9% of our revenue, respectively. Our largest customer, Customer A accounted for approximately 83.2%, 69.5%, 55.2% and 71.2% of the total revenue of our Group, respectively, for the corresponding period. The above-mentioned major customers may continue to account for a similar proportion of our total revenue in the future.

In consideration of the above, we face the risks in connection with having a concentration of customers, which may continue in the future. Also, our major customers engage us on a project-by-project basis. Such projects are offered to us by way of tender and do not involve any long term contractual commitments with us. As such, we may not be able to reliably secure future projects from tenders due to competition and changing market trends, nor is there any assurance that any of our major customers will choose to engage us again, or find our tender terms acceptable.

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Should any of our major customers cease or change their business relationship with us, we cannot assure you that we would be able to find new customers to engage us on comparable terms, in which case our business, results of operations and financial condition may be materially and adversely affected. In addition, should there be defaulting payments by any of our major customers, we may be engaged in costly and time-consuming litigation, and we may not be able to recover significant amount of receivables, which in turn could materially and adversely affect our cash flow, business, results of operations and financial position.

We are reliant on the PRC market and we may be unable to adjust our resources to other markets in the event of an economic downturn in the PRC

During the Track Record Period, all of our revenue was derived from customers in the PRC. We anticipate that revenue from customers based in the PRC will continue to represent a majority of our revenue. Any adverse change in the economic condition in the PRC may directly or indirectly affect the demand for our services, and our business operations and financial condition may also be adversely affected as a result.

Should there be an economic downturn or credit crisis in the PRC for any reason, our ability to borrow funds from funding sources, if necessary, may be limited, which in turn could materially and adversely affect our business, liquidity, results of operations, financial condition, and most importantly, our expansion plans. Moreover, apart from our access to funds, economic downturn or credit crisis will also affect our customers, and may in turn reduce the demand for our services or affect their abilities to settle amounts owed to us. As such, we cannot assure you that our business operations will not suffer adverse effects caused by previous or future credit crisis in the future.

Our expansion into new geographical markets presents certain risks and uncertainties.

We derived most of our revenue from construction works projects carried out in Fujian Province during the Track Record Period. In order to achieve and maintain sustainable growth, we need to continue seeking development opportunities in regions with potential for growth and where we may not have any existing operations. We may not be able to identify geographical locations with sufficient growth potential to expand our market reach or operate our new projects. For the geographical locations we select, we may face intense competition from other construction services providers which may have more experience, financial resources and business connections in that locations. Further, the construction industry in our target cities may be different from one another in terms of the level of local economic and industrial development, local government policies and development phases of local businesses. We may also experience different demand for our construction works to be provided. We may have limited ability to effectively leverage our established brands, experience and track record in new markets in the same way as our existing markets. Additionally, the administrative, regulatory and tax environment in our target cities may be different and we may face additional expenses or difficulties in complying with new procedures and adapting to new environment. As we do not have the same level of familiarity with the local government, businesses and consumers as compared to the other local and more experienced construction services providers in the new geographical markets, we may not be able to implement our business plan effectively which may materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

Failure to renew, suspension or cancellation of our licences and permits could materially affect our business operation and financial performance

We rely on various qualifications, licences and permits in order to provide construction services such as “first class professional contractor in foundation engineering works (地基礎工程專業承包 — 一級)”, first class professional contractor in lifting equipment installation works (起重設備安裝工程專業承包 — 一級) and professional contractor for template and scaffold works (模板腳手架專業承包). Please see “Business – Licences and Permits” for further details.

The abovementioned licences and permits are typically valid for a limited period of time and may be renewed upon being reviewed by the relevant government authorities. For renewal purposes, we are required to meet specific requirements set out by the relevant government authorities in connection with the respective licences and permits. Furthermore, as the compliance-related rules and standards in the construction industry are constantly changing and subject to the latest industry norms, we are required to constantly monitor, adjust or improve our current policies and practices, so as to ensure compliance and successful renewal.

As such, there is no assurance that we will be able to renew the qualifications, licences and permits in a timely manner or at all. Should we fail to do so, we may be required to suspend our ongoing operations as well as subject to disciplinary actions by the relevant government authorities. This will adversely affect our business, results of operations as well as damage our competitiveness and reputation in the construction industry.

Our Group may not be able to maintain or increase the tender success rate in the future

Almost all of our revenue is derived from contracts awarded through competitive tendering and is not recurring in nature. Our Group’s tender success rates for each of the three years ended 31 December 2016, 2017, 2018, and the five months ended 31 May 2019 were approximately 69.1%, 52.8%, 57.9% and 49.1%, respectively. There are various factors determining such success rates, including, but not limited to (i) our Group’s project capacity; (ii) the number of tenders submitted by our customers and potential customers; and (iii) the number of tenders submitted by our Group. There exists a risk that our Group may not be awarded with new construction works projects in the future. Therefore, there is no assurance that our Group will be able to maintain or increase our success rate of acquiring more construction works projects by way of tender in the future. In the event that our Group is unable to maintain our tender success rate and be awarded with the construction works projects, our Group’s revenue and operation may be materially and adversely affected.

Our operation and financial results may be materially and adversely affected if we under-estimate project time and costs at the project identification stage

Our construction works projects are typically awarded via a competitive tender process by our customers. In determining the tender price, we conduct feasibility studies and estimate the construction time and costs based on the information specified in tender invitation documents, as well as the mark-up margin under our cost and time estimates. However, the actual time and costs incurred in our construction works projects may be adversely affected by a series of factors, some of which may be beyond our control, which includes but are not limited to the following: (i)

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unanticipated geographical conditions in bedrock of the construction sites; (ii) unfavourable weather conditions during the construction works projects; (iii) retention rate of workers specialised in construction works; (iv) unforeseen disputes with our customers, suppliers, subcontractors and other relevant parties; (v) receipt of variation orders from our customers, with substantial subsequent additional contract amount; and (vi) discovery of cultural relics at construction site. In the event that there is a significant deviation from the scheduled works to be done for our projects due to any of the above factors or otherwise, there may be a substantial delay or increase in costs in connection with our construction works projects. There is no guarantee that the actual time and costs incurred will be consistent with our initial estimates, which in turn potentially reduces our profitability or even exposes us to litigation or claims from our customers in case of delays. Furthermore, if our mark-up margin is set to factor into the above factors, our tender price may become not competitive as compared to our competitors.

As such, there is no assurance that we will always be able to accurately estimate our construction time and costs, or determine a precise mark-up margin so that we are able to price our tender price competitively. In the event that we fail to do so, our customers may opt for tender prices offered by our competitors, resulting in a decrease in the number of construction works projects to be awarded to us. This in turn adversely affect our operation and financial results. On the flip side, if the mark-up margin is set too low, we may not be able to cover the additional costs contributory to the above-mentioned factors during construction works projects. In that case, our profitability in construction works service will be materially and adversely affected.

Fluctuation in the cost of materials and labour subcontracting may materially and adversely affect our business operations and profitability, and we may not be able to identify an alternative source of materials with a stable supply and acceptable quality

We rely on our suppliers for reliable and timely delivery of construction materials. For each of the three years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, (i) our costs of materials amounted to approximately RMB30.2 million, RMB114.2 million, RMB457.1 million and RMB184.6 million, respectively, representing 25.4%, 31.0%, 50.4 % and 39.0% of our total cost of sales, respectively, for the corresponding period; and (ii) our subcontracting fee amounted to approximately RMB18.3 million, RMB86.1 million, RMB172.8 million and RMB187.4 million, respectively, representing approximately 15.4%, 23.3%, 19.0% and 39.6% of our total cost of sales, respectively for the corresponding period.

Since the contract value of each of the projects are generally pre-determined when a project is awarded to us, any substantial increase in the price of materials or labour subcontracting, fee between the time of submission of our tender or quotation and the time when we purchase the relevant materials or refuse such services will substantially increase our material costs or labour subcontracting fee and may materially and adversely affect our profitability, results of operations and financial condition. Since we do not enter into long-term supply contracts with our suppliers or labour subcontractors, there is no assurance that our suppliers or labour subcontractors will not significantly increase the prices of materials or their fee in the future, in particular when the market prices of or the market demand for such materials or labour subcontracting services increase. There is also no assurance that we will be able to pass part of or all of the increase in the cost of materials or labour subcontractors to our customers to avoid adverse impacts on our profit margins.

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In addition, we cannot assure you that we will be able to continue to secure adequate supplies of materials or labour subcontractors to meet all of our business needs at commercially reasonable prices in the future. If we are unable to secure adequate materials and labour subcontractors at commercially reasonable prices, we may miss project schedules or completion deadlines, which may harm our reputation in the industry or subject us to pay monetary compensation or damages to our customers. We may be forced to procure materials or engage labour subcontractors from more expensive alternative sources or incur other additional costs to meet our contractual obligations, which may materially and adversely affect our results of operations and financial condition.

The construction industry is cyclical in nature. Decreases in construction activities may materially and adversely affected our revenue and operating results by a decrease in the demand for our construction works services

The construction industry is cyclical in general. The revenue attributable to such industry is closely tied to the general economic conditions, market trends as well as industry norms relating to the overall construction industry. In particular, the products and services offered by our Group correlate with construction works projects and works which are sensitive to cyclical changes as well as changes in market trends and conditions. In the event that there is a decline in the overall construction industry, or one in specific practices within the industry, such as a decline in foundation works or formwork and scaffolding works, we may need to apply downward adjustments to our tender prices, construction machinery, equipment and tools rental rates due to a decrease in demand for the relevant services.

We have previous incidents of non-compliances with relevant laws regulations relating to social insurance and housing provident fund and any enforcement action against us may materially and adversely affect our business, financial condition and results of operations

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), we are required to make contributions to the social insurance plans and the housing provident fund under the relevant PRC laws and regulations for our employees. For details relating to these relevant laws, please see “Regulatory Overview — Regulations relating to employment and social securities”.

During the Track Record Period, we did not make full contributions for the social insurance fund and housing provident fund for our employees as required under the relevant PRC laws and regulations. As at the Latest Practicable Date, we have not received any order or notice from the local authorities nor any claims or complaints from our current and former employees regarding our non-compliance in this regard. For details, please see “Business — Legal proceedings and compliance”. We cannot assure you that we will not be subject to any order to rectify non-compliances in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding social insurance payment or housing provident fund contributions against us, or that we will not receive any claims in respect of social insurance payment or housing provident fund contributions under the PRC laws and regulations. In addition, we may incur additional costs to comply with such laws and regulations by the PRC Government or relevant local authorities. Any such development could materially and adversely affect our business, financial condition and results of operations.

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Our construction machinery, equipment and tools are subject to residual value risk upon disposition

The market value of used construction machinery, equipment and tools depends on several factors, including but not limited to: (i) the market price for new equipment of a similar kind; (ii) the age of the equipment at the time it is sold; (iii) wear and tear on the equipment relative to its age; (iv) regional and domestic supply of and demand for such used equipment; and (v) general economic conditions. We record as gain or loss on disposal of equipment the difference between the sales price and the net book value of the equipment sold. If such sale prices or sales volume decline or fall below our projections, our results may be materially and adversely affected.

The cost of new construction, machinery, equipment and tools may increase, which in turn increases our cost of acquiring or leasing replacement equipment and in some cases we may not be able to procure equipment at all due to supplier constraints

The cost of equipment used in our leasing fleet could increase, due to factors beyond our control, such as inflation, complying with governmental regulations or increased material costs. Price increases could materially and adversely affect our business, financial condition and results of operations. While we can manage the size and ageing of our fleet generally over time, eventually we must retire older equipment and either allow our fleet to shrink or replace the older equipment in our fleet with newer models. We will need to purchase additional equipment in order to supplement our current fleet. We may not be able to procure all necessary replacement equipment on a timely basis since our suppliers may not be able to meet our demands on time. If demand for new equipment increases significantly, manufacturers may not be able to meet customer orders on a timely basis. As a result, we may experience long lead times for certain types of equipment and we cannot assure you that we will be able to acquire the equipment at such quantity, type and specifications we require to replace older equipment as quickly as we would like. Consequently, we may have to age our fleet longer than we would consider optimal or shrink our fleet, either of which could restrict our ability to grow our business.

If we or our subcontractors experience any shortage of labour, industry strikes or material increase in labour costs, our business operation and financial result will be adversely affected

The efficiency in carrying out construction works depends on whether we have a reliable supply of labour. We require a large number of construction workers with different expertise and skill sets for our projects. In the event that the labour market conditions result in shortage of labour or material increase in labour costs, we may need to offer more competitive salaries and more lucrative remuneration packages or benefits so as to attract and maintain a reliable supply of labour. We will not be able to guarantee that we possess sufficient resources to mitigate the above-mentioned labour issues by retaining or recruiting skilled workers to handle our construction works.

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In order to minimise the need to employ a large workforce, to maximise our cost-efficiency and flexibility and to utilise the expertise of other properly qualified specialist contractors, we sometimes engage subcontractors to perform a portion of the work under our construction works projects. We may not be able to monitor the performance of these subcontractors as directly and efficiently as with our self-employed labour. In addition, our inability to hire enough subcontractors could hinder our ability to complete a project on a timely manner or successfully. Further, we are exposed to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors. As a result, we may experience deterioration in the quality or delivery of our construction works projects, incur additional costs due to the delays or at a higher price in sourcing the labour services, or be subject to liability under the relevant contract for our labour subcontractors' performance. Such events could impact upon our profitability, financial performance and reputation, and result in litigation or damage claims.

We may be subject to claims in relation to defects attributable to construction works undertaken by us, which may result in claims from our customers against us, deduction of retention monies to be released or further costs to make good the defects present

Typically, there will be a defect liability period in our construction works projects, where we undertake to remain responsible for rectifying any defects or imperfections in relation to works done by us in such projects. Should there be a need to undergo rectifications, they are normally typical maintenance works or minor repair works. In the event that substantial rectifications beyond the usual scope are required, we may be required to incur significant time and costs, or even be subject to claims from our customers against us. Furthermore, if we fail to adequately rectify the defects as required, our customers may reduce or even forfeit retention monies withheld from us and further claim damages from us.

We are exposed to construction disputes or litigations

We may receive claims in respect of various matters from our customers, subcontractors, workers and other parties concerned with our projects from time to time. Such claims include claims for compensation for late completion of works and delivery of substandard works, and claims in respect of personal injuries and labour compensation in relation to the works. The handling of contractual disputes, litigation and arbitration involves a high degree of the management's attention and input, as well as costs, and the outcomes are influenced by, inter alia, negotiation technique, knowledge and judgement of our Executive Directors. Our Group relies on the relevant expertise and qualification of our Executive Directors in dealing with contractual disputes, litigation and arbitration. Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from customers, our financial position may be adversely affected.

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We recorded net current liabilities as at 31 December 2016 and 2017 and we may expose ourselves to liquidity risk if we experience net current liabilities in the future

We recorded net current liabilities of approximately RMB153.0 million and RMB65.7 million as at 31 December 2016 and 2017, respectively. Please see “Financial Information — Net current (liabilities)/assets” for further details. There is no assurance that we will not record net current liabilities in the future. We may not have sufficient working capital to meet our current liabilities or expand our operations as anticipated. In such circumstances, our liquidity, results of operations, financial condition and prospects may be materially and adversely affected.

We rely on key management personnel

Our success depends heavily on the continued services of our senior executives and other key employees. In particular, we rely on the expertise, experience and leadership of our Executive Directors and our senior management, who play a vital role in our operation. Please see “Directors and Senior Management” for further details. If one or more of our senior executives or other key employees are unable or unwilling to continue in their present positions, we may not be able to replace them promptly, or at all, which may severely disrupt our business and affect our results of operations and future prospects.

We rely on specialised technical personnel

Our business operations depend substantially on our workers’ roster of specialised technical staff responsible for various stages of our construction works and services, quality control procedures and so on. For instance, we require workers with specific expertise in operating heavy machinery as well as equipment dedicated for particular construction works such as foundation works and formwork and scaffolding works. If we are unable to retain our existing technical staff or attract new joiners with similar industry expertise, we may not be able to maintain our operational efficiency and capacity, which in turn may materially disrupt our business operations and adversely affect our operating results.

We may be unable to keep up with the changes in the market needs or technological developments in the construction industry and may not be able to expand into new markets

Our competitiveness in the construction industry depends in large part on our ability to keep up with changes in market needs and technological developments so that we are able to continuously tailor our services to meet our customers’ needs. We devote financial and human resources to the R&D of new techniques, and construction machinery, equipment and tools, which are subject to continuous evolution and changes. We make significant investments in R&D, in particular, to improve the quality and functions of our construction machinery, equipment and tools, which we believe are crucial factors for our future growth and prospects. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, the amount we incurred in R&D was approximately RMB3.7 million, RMB8.4 million, RMB46.6 million and RMB17.9 million, respectively, representing 2.3%, 1.7%, 3.9% and 2.9% of our total revenue, respectively for the corresponding period. Furthermore, we made significant investment in construction machinery, equipment and tools. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, additions of construction machinery, equipment and tools

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amounted to approximately RMB139.4 million, RMB251.8 million, RMB107.1 million and RMB47.5 million, respectively. There is no assurance that such techniques or construction machinery, equipment and tools developed will be well accepted by the market, or such techniques or construction machinery, equipment and tools can be developed and put into market in a timely manner or at all. In addition, there is no assurance that our existing and/or potential competitors will not develop construction machinery, equipment and tools which are similar or superior to our construction equipment and tools and which may serve as substitutes for our construction machinery, equipment and tools. Given the difficulty in assessing and projecting the time frame for developing new construction machinery, equipment and tools and the customers demand for these construction machinery, equipment and tools, there is a substantial risk that we may have to discard construction machinery, equipment and tools that are no longer commercially viable, despite the substantial time and resources we may have invested in the R&D of such construction machinery, equipment and tools. In the event that we are unable to develop new techniques or construction machinery, equipment and tools that meet the needs of our customers or that our competitors have developed new and more advanced construction machinery, equipment and tools, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to detect and prevent bribery or other misconduct committed by our employees or third parties.

Bribery and other misconduct including, among others, acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our subcontractors or suppliers may be difficult to detect and deter and could subject us to litigation or damage our reputation. Even though we are increasing our efforts to detect and prevent the misconduct of employees and third parties, it is not always possible to detect or deter such activities, the precautions we take to detect and prevent these activities may not be effective in all cases, and our internal control system may not be effective in preventing the occurrence of corruption, bribery or other illegal activities. We cannot assure you that any misconduct of employees or third parties, if any, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on our business, financial position and results of operations.

We are exposed to certain types of liabilities that are generally not insured

Our business exposes us to claims from our employees or third parties, such as our customers, for personal injury, death or property damage in the course of construction services we provided, or resulting from the use of the equipment we rent, sell, service or repair, the defects of such equipment and from injuries caused in accidents in which our personnel are involved and other employee-related matters. Our equipment operators may be exposed to risks when operating our equipment at our customers' construction sites, and may suffer personal injuries as a result of accidents arising out of or in the course of their employment. We may also be liable for any damage or injuries resulting from accidents caused by the fault or negligence of our equipment operators. We face the risk of loss or damage to our properties and construction machinery due to fire, flood, theft or other kinds of accidents in our day-to-day operations. Such events may lead to disruptions and may therefore adversely affect our profitability. We maintain certain insurance, but certain kinds of losses cannot be insured or insured at a commercially reasonable cost, and our insurance policies are subject to liability limits and exclusions. We may be exposed to claims that

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are not covered by our insurance, and may incur significant costs which could materially adversely affect our business, financial condition and results of operations. The cost of such insurance policies may increase significantly upon renewal of those policies as a result of general rate increases for the type of insurance we carry as well as our claim record. Our existing or future claims may exceed the coverage level of our insurance, and such insurance may not continue to be available on economically reasonable terms, or at all. If we are required to pay significantly higher premiums for insurance, are not able to maintain insurance coverage at affordable rates or if we must pay amounts in excess of claims covered by our insurance, we could experience higher costs that could materially adversely affect our business, financial condition and results of operations.

Failure to maintain safe construction sites and implement our safety management system may lead to occurrence of personal injuries, property damages or fatal accidents

As a contractor, we are deemed to be an occupier of our construction sites which we have obligations to maintain a safe and healthy working environment to all lawful visitors, including any labour, staff and general public. Any failure to maintain safe construction sites and/or implement our safety management system may lead to occurrence of personal injuries, property damages or fatal accidents and there is no assurance that personal injuries, property damages or fatal accidents will not occur at our construction sites. Despite having in place certain safety policies and internal control procedures, due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent and cannot be completely eliminated. There is no assurance that fatal construction accidents will not occur on construction sites for which we are responsible as a subcontractor, or that we will not be subject to regulatory actions in the future which may have an adverse impact on our overall operations. We normally take out insurance policies of contractors' risks (including third party liability) and employees' compensation to cover our risk in paying losses and damages to third parties for any personal injuries or property damages which may occur at our sites. There is no assurance that the insurers have sufficient financial means or would not deny liability to cover our losses and damages. Neither is there any assurance that the policies could fully cover all aspects of personal injuries or property damage occurring on our sites. In any event, any personal injuries, property damages or fatal accidents occurring on our construction sites may result in disciplinary actions by the PRC Government and/or may have material adverse impact on our profitability, reputation and operating results.

Our operations could be materially and adversely affected by bad weather, natural disasters, severe communicable diseases, acts of wars, terrorism or other incidents which are beyond our control

Our business operations are mostly conducted outdoors and are vulnerable to bad weather. We may, as a result of persistently unfavourable weather conditions or natural disasters, be prevented from performing work at the construction sites, and thereby fail to meet specified milestone dates. Should we be required to halt operations during such inclement weather or natural disasters, we may continue to incur operating expenses even while we experience reduced revenue and profitability. Moreover, our business is subject to outbreak of severe communicable diseases, such as swine flu, avian flu, severe respiratory syndrome, natural disasters or other acts of God which are beyond our control and which may adversely affect the economy, infrastructure, livelihood and society in the PRC. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed, any or all of which could materially impact our revenue, costs, financial condition and growth potentials.

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The potential for these incidents may also cause uncertainty leading to our business as well as those of our customers and suppliers to suffer in the ways that we cannot predict. Our business and operating results may be materially and adversely affected as a result.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Market conditions and trends in the construction industry and overall economy will affect our performance

All our operations and management are currently located in the PRC. The future growth and level of profitability of the construction industry in the PRC are likely to depend primarily upon the continued availability of major construction works projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the PRC Government's spending patterns on the construction industry in the PRC, the investment of property developers and the general conditions and prospects of the PRC economy. These factors may affect the availability of construction works projects from the public sector, private sector or institutional bodies. Apart from the public spending of the PRC Government, there are numerous factors affecting the construction industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Should there be a recurrence of recession in the PRC, deflation or any changes in the PRC's currency policy, or should the demand for construction works in the PRC deteriorate, our business, results of operations and financial conditions may be materially and adversely affected.

Changes in existing laws, regulations and government policies may materially and adversely affect our business operations and cause us to incur substantial additional expenditures

Our business operations are governed by a wide range of laws, regulations and policies set out by the PRC Government or relevant authorities. The underlying requirements in relation to the renewal or grant of qualifications, licences and permits, approval of construction works and projects, as well as compliance of various industry standards and regulations may change from time to time. We cannot assure that we will be able to implement corresponding measures or generally respond to such changes in a timely manner. For instance, if there are any change to or implementation of safety requirements in relation to the construction industry, we may not be able to respond to such change or implementation in a timely manner, which in turn adversely affect our business operations. Furthermore, in order to accommodate to changes in the laws, regulations and government policies, we may also have to incur substantial additional expenditures so as to ensure compliance of such changes.

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We are subject to environmental, health and safety laws, regulations and guidelines, which may materially and adversely affect our operating performance and incur liabilities if breaches occur

Our business in the PRC is subject to the environmental, health and safety laws, regulations and guidelines issued by the relevant government authorities. Such laws, regulations and guidelines may be revised by the government authorities from time to time, so as to cater the changing environmental needs in the PRC. Any material changes to such laws, regulations and guidelines may affect our business in general and in turn implicate changes to the operations of our construction works service and leasing of construction machinery, equipment and tools, which in practice drives up our operating costs and burden in complying with the relevant regulations and guidelines.

Additionally, in the event that we violate the abovementioned regulations and guidelines, we may be required to implement corrective measures or rectifications and even be subject to civil or criminal fines, penalties or other sanctions. As advised by our PRC Legal Advisers, we have not been in breach of any environmental, health and safety compliance regulations and guidelines in any material respects during the Track Record Period and up to the Latest Practicable Date, but we cannot assure you that we will not have to incur substantial expenditures or utilise significant capital in order to comply with existing and newly implemented regulations and guidelines, or that we will comply with the relevant regulations and guidelines at all times. Such violations and subsequent liabilities may have a material adverse effect on our business operations, financial condition as well as operating results.

We operate in a highly competitive market

The PRC construction industry has various participants and is highly competitive. Occasionally, new participants may wish to enter the industry if they have the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite licences by the relevant governmental authorities. We face competition from other contractors in the tendering for construction contracts. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

We are subject to inherent risks in the construction industry such as industrial accidents, fire, personal injury, and suspension of water and electricity supplies, which may adversely affect our reputation and results of operations

We are subject to construction risks such as industrial accidents, fire, personal injury, suspension of water and electricity supplies, which may not only affect our work progress but may also pose risks to our properties located on the work site.

Due to the nature of our business, we engage or may engage in highly dangerous work at times, including operations conducted high above ground level. Despite compliance with the requisite safety requirements and standards, we are subject to practical risks surrounding these activities, such as the risk of equipment failure. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, any of which could result in us being liable for damages to third parties.

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Any harm caused by our operations could damage our reputation and relationship with regulators and other customers, which may materially hinder our ability to obtain new contracts.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The state of political environment in the PRC may adversely affect our performance and financial condition

We are established, and all of our operations and assets are located, in the PRC. Accordingly, our financial condition, results of operations and prospects are subject, to a significant degree, to the economic, political and social conditions and government policies in the PRC. The PRC economy differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. Before its adoption of reform and open-door policies beginning in 1978, the PRC was primarily a planned economy. Since that time, the PRC economy has been reformed from a planned economy to a market economy with socialist characteristics. For over five decades, the PRC Government has implemented economic reform measures to utilise market forces in the development of the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may also lead to further re-adjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in the PRC may have a material impact on our operations or may adversely affect our financial condition and results of operations. While the PRC economy has grown significantly over the past few decades, this growth has been uneven, both geographically and among various sectors of the economy. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may have a negative effect on our business. For example, as the PRC economy experienced high rates of increase in residential property prices in recent years, the PRC Government adopted a number of measures, including raising statutory reserve rates for banks and controlling bank lending to real estate developers, to combat high property prices and prevent the economy from overheating. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and the allocation of resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may materially and adversely affect us if they reduce demand for our services and products.

Our Group’s principal subsidiaries are established in the PRC and their major assets are located in the PRC. It could be difficult to enforce a foreign judgment against our the PRC subsidiaries, our Directors and the management in the PRC

All of our construction services are rendered in the PRC and all of our assets are located in the PRC. In addition, all of our Directors reside within the PRC or Hong Kong. As a result, it may not be possible to effect service of legal processes outside the PRC or Hong Kong (as the case may be) upon them with respect to matters arising under applicable securities laws. Moreover, based on the information provided by our PRC Legal Advisers, the PRC has not entered into treaties with the US or a number of countries providing for the reciprocal recognition or enforcement of judgments of foreign courts. In addition, according to the PRC Civil Procedures Law (《中華人民共

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和國民事訴訟法》), courts in the PRC will not enforce a foreign judgment if they decide that the judgment violates the basic principle of PRC law or national sovereignty, security or public interest. Therefore, it may be difficult for you to enforce against us and/or our management in the PRC any judgment obtained from non-PRC courts.

The interpretation and enforcement of PRC laws and regulations involves significant uncertainties and PRC laws differ from the laws of common law jurisdictions

The PRC legal system is based on written statutes, and prior court decisions can only be cited as references. Since 1979, the PRC Government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new, and due to the limited number of published cases and judicial interpretations and their lack of precedential value, interpretation and enforcement of these laws and regulations involve significant uncertainties.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to us or our Shareholders

As all of our operations are conducted in the PRC, we are principally governed by PRC laws and regulations. The PRC legal system has inherent uncertainties that could limit the legal protection available to us or our Shareholders. Based on a civil law system, the PRC legal system comprises written statutes and their interpretation by the Supreme People’s Court, while prior legal decisions and judgements may be cited and referenced but do not have binding precedential effect and have limited significance for guidance. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, interpretation of PRC laws and regulations involves a degree of uncertainty and can be inconsistent. Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgement by a court. In addition, the PRC legal system is based in part on government policies and administrative rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and diversion of resources and management attention. In addition, we cannot predict future developments in the PRC legal system or the effects of such developments. The materialisation of all or any of these uncertainties could have a material and adverse effect on our financial condition and results of operations.

RISK FACTORS

The PRC Government's control of foreign currency conversion may limit our foreign exchange transactions

Current foreign exchange regulations have reduced the PRC Government's foreign exchange control on routine transactions under the current account, including trade and service-related foreign exchange transactions and payment of dividends. Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to receive income derived from income payments from our PRC subsidiaries in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign currencies may restrict the ability of our PRC subsidiaries to obtain sufficient foreign currencies for dividend payments to us or to satisfy any other foreign exchange requirements. Foreign currency transactions under our capital account, including principal payments in respect of foreign currency-dominated obligations, continue to be subject to significant foreign exchange controls and must be approved in advance by the SAFE or its delegated authority at provincial, municipal or other local level. These limitations could affect the ability of our PRC subsidiaries to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

Restrictions on the remittance of RMB into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of investment of our Shareholders

The PRC Government imposes controls on the convertibility of RMB into foreign currencies and the remittance of currency out of the PRC. We generate all our revenue in RMB, and may need to convert a portion of our cash and cash equivalents from RMB into other currencies in the future to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries incorporated in the PRC to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system in the PRC prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into our out of the PRC.

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RISKS RELATING TO THE [REDACTED]

No public market currently exists for our Shares; the market price for our Shares may be volatile and an active trading market for our Shares may not develop.

No public market currently exists for our Shares. The initial [REDACTED] for our Shares to the public will be the result of negotiations between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the market price of the Shares following the [REDACTED]. We have applied to the Hong Kong Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares. A [REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the Shares will not decline following the [REDACTED].

In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us or our industry;
- investors’ perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in the construction market in China;
- changes in the economic performance or market valuations of other construction companies;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

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We may make a [REDACTED], which will result in a reduction of the [REDACTED] and the net [REDACTED] available to us.

We have the flexibility to make a [REDACTED] to set the final [REDACTED] at up to 10.0% below the bottom end of the indicative [REDACTED] range per [REDACTED]. It is therefore possible that the final [REDACTED] will be set at HK\$[REDACTED] per [REDACTED] if we make a full [REDACTED]. In such a situation, the [REDACTED] will proceed and the Withdrawal Mechanism will not apply. If the final [REDACTED] is set at HK\$[REDACTED], our estimated net [REDACTED] from the [REDACTED] will be reduced by approximately HK\$[REDACTED] million without taking into account any Shares to be issued upon exercise of share options under the Share Option Scheme, compare to the scenario where the [REDACTED] is set at the mid-point of HK\$[REDACTED] and such reduced [REDACTED] will be used as described in “Future Plans and Use of [REDACTED]—[REDACTED]”.

Future sales or perceived sales of our Shares in the public market by major Shareholders following the [REDACTED] could materially and adversely affect the price of our Shares.

Prior to the [REDACTED], there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders, or issuance by us of significant amounts of our Shares after the [REDACTED], could result in a significant decrease in the prevailing market prices of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the [REDACTED] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price for our Shares and our ability to raise equity capital in the future.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the [REDACTED], our Controlling Shareholders, Mr. Xun MH and MHX Investment BVI, will control in aggregate [REDACTED]% of our Shares. Our Controlling Shareholders will, through their voting power at the Shareholders’ meetings and its position on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. The interests of our Controlling Shareholders may not always align with our Company or your best interests. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

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There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the [REDACTED].

The initial price to the public of our Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be not more than five Business Days after the [REDACTED]. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, [REDACTED] are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, [REDACTED] should not rely on any such information, reports or publications in making their decisions as to whether to [REDACTED] in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [REDACTED].

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This usually means that at least two of our Executive Directors must be ordinarily resident in Hong Kong.

Our headquarters and most of our business operations are based, managed and conducted in the PRC. As the Executive Directors play vital roles in our business operations, it is in our best interests for them to be based in the places where our Group has significant operations. Therefore, our Company does not, and in the foreseeable future will not, have sufficient management presence in Hong Kong. Currently, all of our Executive Directors, namely Mr. Xun MH, Mr. He Wenlin and Ms. Zheng Ping are ordinarily resident in the PRC.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that we have made the following arrangements in order to maintain regular and effective communication between the Hong Kong Stock Exchange and us:

- pursuant to Rule 3.05 of the Listing Rules we have appointed Mr. Xun MH, our Executive Director, and Mr. Chan Sun Kwong (“**Mr. Chan**”), our joint company secretary, as our authorised representatives and they will serve as our Company’s principal channel of communication with the Hong Kong Stock Exchange and will be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Hong Kong Stock Exchange, and if required, will be able to meet with the Hong Kong Stock Exchange to discuss any matters in relation to our Company within a reasonable timeframe. Mr. Chan, our joint company secretary, is an ordinarily resident in Hong Kong. Their contact details (including mobile phone numbers, office phone numbers, email addresses, facsimile numbers and correspondence addresses) have been provided to the Hong Kong Stock Exchange. As and when the Hong Kong Stock Exchange wishes to contact our Directors on any matters, each of the authorised representatives will have the means to contact all of our Directors promptly at all times. We will also inform the Hong Kong Stock Exchange promptly in respect of any change in authorised representatives;
- each of the authorised representatives is duly authorised to communicate on our behalf with the Stock Exchange. The authorised representatives will be able to contact our Directors promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors on any matters. Each of our Directors is in turn authorised to communicate on our behalf with the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- each of our Directors has provided his/her mobile, office phone numbers, facsimile numbers and email addresses to the Stock Exchange. In the event that a Director expects to travel or is out of office, he/she will provide the phone number of the place of accommodation or offer means of communications to the authorised representatives;
- each of our Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time as and when required;
- we have appointed VMS Securities Limited as our compliance adviser (the “**Compliance Adviser**”), in compliance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will, from the [REDACTED] to the date when our Company announces our financial results and distributes our annual report to our Shareholders for the first full financial year immediately after the [REDACTED], serve as an additional channel of communication of our Company with the Hong Kong Stock Exchange and be available to answer enquiries from the Hong Kong Stock Exchange. The contact person of the Compliance Adviser will be fully available to answer enquiries from the Hong Kong Stock Exchange;
- we will ensure that there are adequate and efficient means of communication between us, our authorised representatives, Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between the Hong Kong Stock Exchange and ourselves. We will also inform the Hong Kong Stock Exchange promptly in respect of any change in the Compliance Adviser;
- meetings with the Hong Kong Stock Exchange and our Directors can be arranged through our authorised representatives or the Compliance Adviser, or directly with the Directors with reasonable notice; and
- in addition to the Compliance Adviser’s role and responsibilities after the [REDACTED] (i) to inform us on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulations or codes in Hong Kong applicable to the Company, and (ii) to provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations, we will retain a Hong Kong legal adviser to advise us on the compliance with the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the [REDACTED].

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

- a) a Member of The Hong Kong Institute of Chartered Secretaries;
- b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual’s “relevant experience”:

- a) length of employment with the issuer and other issuers and the roles he played;
- b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (WUMP) Ordinance, and the Takeovers Code;
- c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- d) professional qualifications in other jurisdictions.

We have appointed Ms. Feng Rongmei (“**Ms. Feng**”) as one of our joint company secretaries. She is currently a member of senior management of our Company. Further biographical details of Ms. Feng are set out in “Directors and Senior Management” in this document. We have appointed her as one of our joint company secretaries due to her past management experience within our Group and her thorough understanding of the internal administration, business operations and corporate culture of our Group.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Ms. Feng does not possess the qualifications set out under Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules on the basis that we have made the following arrangements:

- Ms. Feng will endeavour to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules organised by our Company’s Hong Kong legal advisers and seminars organised by the Hong Kong Stock Exchange from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;
- we have appointed Mr. Chan who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as one of our joint company secretaries to assist Ms. Feng in the discharge of her duties as a company secretary for an initial period of three years commencing from the [REDACTED], so as to enable Ms. Feng to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. Given Mr. Chan’s professional qualification and experience, he will be able to explain to both Ms. Feng and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. He will also assist Ms. Feng in organising our board meetings and shareholders’ meetings as well as other matters of ours which are incidental to the duties of a company secretary. Mr. Chan is expected to work closely with Ms. Feng, and will maintain regular contact with our Directors and senior management. Furthermore, both Mr. Chan and Ms. Feng will seek and have access to advice from our Hong Kong legal and other professional advisers as and when required; and
- upon expiry of the three-year period, the qualifications and experience of Ms. Feng will be re-evaluated. Ms. Feng is expected to demonstrate to the Hong Kong Stock Exchange’s satisfaction that she, having had the benefit of Mr. Chan’s assistance for three years, would then have acquired the “relevant experience” within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

INFORMATION ABOUT THIS DOCUMENTS AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENTS AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENTS AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENTS AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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Name	Residential Address	Nationality
Executive Directors		
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Mr. He Wenlin (何文林)	9-601, Jinhui East View C District, No. 316, Puqian Road, Gushan Town, Jinan District, Fuzhou City, Fujian Province, China	Chinese
Ms. Zheng Ping (鄭萍)	Unit 402, Block 2, No. 239 Meifeng Road, Gulou District, Fuzhou City, Fujian Province, China	Chinese
Non-executive Directors		
Mr. Yang Kaifa (楊開發)	Room 402, Unit 2, Building 11, No. 270 Jiuhuashan Road, Jinghu District, Wuhu City, Anhui Province, China	Chinese
Mr. Zeng Guohua (曾國華)	Room 1901, Unit 1, Building 9, Zhongxing Garden, No. 8 Tieyi Road, Jinghu District, Wuhu City, Anhui Province, China	Chinese
Mr. Xun Liangbao (荀良寶)	No. 301, Unit 1, Block 1, No. 157 Zhongrong Street, Bengshan District, Bengbu City, Anhui Province, China	Chinese
Independent Non-executive Directors		
Mr. Sze Irons B.B.S., JP (施榮懷)	Flat A1, 16/F Summit Court 144 Tin Hau Temple Road North Point, Hong Kong	Chinese
Mr. Wong Kun Kau (黃灌球)	1/F, House A22, Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Chinese
Mr. Zhu Diwu (朱地武)	Flat B, 21/F, Block T5, Bel-Air On The Peak, No. 68 Bel-Air Peak Avenue, Cyber Port, Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

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49/F, One Exchange Square
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Central, Hong Kong

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**Legal advisers to the Sole Sponsor and the
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[REDACTED]

[REDACTED]

CORPORATE INFORMATION

Registered Office	Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311, Grand Cayman KYI-1209, Cayman Islands
Headquarters and Principal Place of Business in the PRC	2002, Jinlan Building No.33 Beiqiang Road, Mawei District, Fuzhou City, Fujian Province China
Principal Place of business in Hong Kong Registered under Part 16 of the Companies Ordinance	[Room No. 1818, 18/F Beverley Commercial Centre 87-105 Chatham Road South Tsim Sha Tsui Kowloon Hong Kong]
Company website	<u>www.fjzkj.com</u> <i>(information contained in this website does not form part of this document)</i>
Joint Company secretary	Ms. Feng Rongmei (奉榮美) 1905, Block 6, Plot B Mingcheng Harbour, Kuaian Avenue Fuzhou City, Fujian Province, China Mr. Chan Sun Kwong (陳晨光) Flat 1, 9/F., Block B Pak On Building 105 Austin Road Tsim Sha Tsui Kowloon Hong Kong
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CORPORATE INFORMATION

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Mr. Wong Kun Kau (黃灌球) (*chairman*)
Mr. Zhu Diwu (朱地武)
Mr. Sze Irons (施榮懷) B.B.S. JP

Remuneration committee

Mr. Zhu Diwu (朱地武) (*chairman*)
Mr. Wong Kun Kau (黃灌球)
Mr. Sze Irons (施榮懷) B.B.S. JP
Mr. Xun Minghong (荀名紅)

Nomination Committee

Mr. Sze Irons (施榮懷) B.B.S. JP (*chairman*)
Mr. Wong Kun Kau (黃灌球)
Mr. Zhu Diwu (朱地武)
Mr. Xun Minghong (荀名紅)

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transfer office**

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KYI-1209, Cayman Islands

[REDACTED]

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PRC

Bank of China (Fuzhou City Cangshan Branch)
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PRC

China Everbright Bank (Fuzhou City Hudong Branch)
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PRC

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Fujian Province
PRC

INDUSTRY OVERVIEW

This and other sections of this document contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Frost & Sullivan, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect of that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sole Sponsor, the [REDACTED] the [REDACTED], the [REDACTED], any of the [REDACTED], our or their respective directors and officers or any other parties (except Frost & Sullivan) involved in the [REDACTED]. No representation is given as to the accuracy or completeness of such information and statistics.

SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned Frost & Sullivan, an independent market research company to conduct an analysis of, and to report on the construction industry in the PRC. The F&S Report has been prepared by Frost & Sullivan independently of our Group’s influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the F&S Report. A total fee of RMB420,000 was paid to Frost & Sullivan for the preparation of the F&S Report and payment of such amount was not conditional on our Group’s successful [REDACTED] or on the results of the F&S Report.

Frost & Sullivan is an independent global consulting firm founded in 1961, which offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The F&S Report includes information on the construction industry in the PRC. The information contained in the F&S Report is derived by means of data and intelligence gathered from: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including but not limited to construction works service providers and industry experts in the PRC. Information gathered by Frost & Sullivan has been analysed, assessed and validated using Frost & Sullivan’s in-house analysis models and techniques. According to Frost & Sullivan, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. All statistics are based on information available as at the date of F&S Report. Other sources of information, including information from government, trade association or market place participants, may have provided some of the information on which the analysis or data is based. Frost & Sullivan developed its estimates or forecast on the following principal bases and assumptions: (i) growth in the global economy remains steady across the forecast period; and (ii) there is no external shock such as financial crisis or natural disaster to affect the supply and demand in the PRC construction works industry during the forecast period.

INDUSTRY OVERVIEW

OVERVIEW OF THE CONSTRUCTION MARKET IN THE PRC

The construction works in the PRC could be generally divided into civil engineering and building works. Civil works refer to the construction works performed by contractors at construction sites, which include railways, roads, highways, bridges, airport, port works, water works, drainage, reclamation, excavation works, site formation, landscape, open spaces, sport grounds, other urban services facilities, service stations and plant, and other related construction works projects. Building works refer to the construction works performed by contractors at construction sites, which include residential buildings, commercial buildings, industrial buildings and general superstructure erection depending on its nature of works or the end-use of the construction works project. In particular, foundation works, construction equipment leasing and aluminium formwork are the subsets of construction works in the PRC.

OVERVIEW OF THE FOUNDATION WORKS MARKET IN THE PRC

Definition

Foundation works is one type of civil construction works performed by contractors at construction sites. The main purposes of foundations are to (i) transfer the weight of the building to the earth; (ii) anchor the building against natural forces, such as typhoon or earthquake; and (iii) to protect superstructures from ground moisture. Foundation works is required in various construction works, including buildings and infrastructures. The specification of a foundation varies depending on its depth, width and marking layout and centerline of the foundation. In general, foundations are divided into two categories, namely (i) shallow foundations; and (ii) deep foundations.

Value Chain

The value chain of the foundation works market mainly consists of downstream customers, midstream contractors and upstream suppliers. In general, property developers and government departments, each representing the private and public sector, respectively, will initiate construction works projects and invite tenders from engineering consultancies and contractors. Engineering consultancies will first conduct (i) site investigation and study; and (ii) engineering design and planning prior to execution of a project. Thereafter the consultancies will collaborate with contractors during the execution phase to supervise and/or carry out the construction works. The main contractors, who have principal responsibility for construction works, may also engage subcontractors to carry out specialised works such as foundation piling, excavation and lateral support (ELS) works and pile cap construction. Both main contractors and subcontractors will be responsible for worker recruitment, procurement of materials and equipment required for the projects from suppliers.

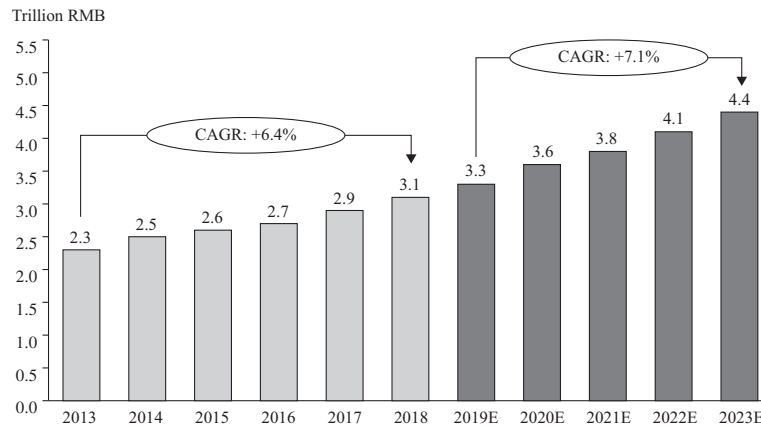
Market Size

Between 2013 to 2018, the construction industry in the PRC experienced steady growth which was primarily attributable by the strong performance of infrastructure and real estate sector. As such, the revenue of foundation works market in the PRC increased from RMB2.3 trillion in 2013 to RMB3.1 trillion in 2018, representing a CAGR of 6.4% between 2013 to 2018.

INDUSTRY OVERVIEW

Going forward, the expedited infrastructure development in the PRC will be the major driver for growth of the foundation works market and is expected to reach RMB4.4 trillion by 2023, representing a CAGR of 7.1% from 2018 to 2023.

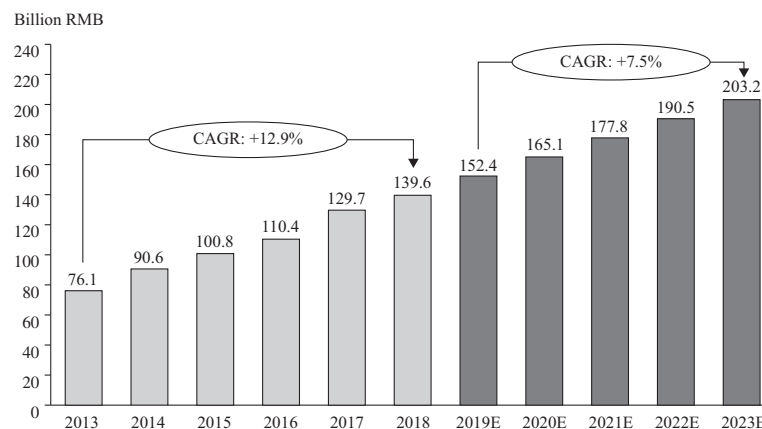
Market Size of the Foundation Works Market by Revenue (The PRC), 2013–2023E



Source: Frost & Sullivan

Driven by the rapid economic development of Fujian Province, the market demand for foundation works in Fujian Province has experienced a rapid growth in recent years. Between 2013 to 2018, the market size of the foundation works market in Fujian Province increased from RMB76.1 billion in 2013 to RMB139.6 billion in 2018, representing a CAGR of 12.9%. With the provincial government planning to further enhance transportation infrastructure in Fujian Province, as well as to promote continued urban development, the market size of foundation works in Fujian Province is expected to reach RMB203.2 billion by 2023, representing a CAGR of 7.5% during 2019 to 2023.

Market Size of the Foundation Works Market by Revenue (Fujian Province), 2013-2023E



Source: Frost & Sullivan

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Infrastructure Development in Fujian Province

Supply-side structural reform is a key component of the PRC’s economic policy agenda. The reform targets the structure of production, to make it more efficient at the macro and corporations level. As well as improving efficiency, corporations are being pushed to make production more environmental friendly. Promoting advanced industries and innovation in existing industries are also key features of the policy. According to the 19th National Congress of the Communist Party of the PRC, the supply-side structural reform will be further promoted to improve the economic structure. In particular, the construction of high-speed railways, highways, bridges, ports, airports, and other types of infrastructure has picked up pace. In developing a modernised economy, the government will strengthen infrastructure networks for water conservancy, railways, highways, waterways, aviation, pipelines, power grids, information and logistics.

Relying on its surging economy and solid industrial base, Fujian Province is now among the top investment destinations for foreign firms in various sectors, including electronic information, machinery equipment and petrochemicals. To attract more investment, the local government of Fujian Province has improved infrastructure, especially transport. For example, it has constructed an advanced system of high-speed railway allowing some 95.0% of the province’s counties to soon have access to high-speed rail stations within a half-hour drive. The province now has three big ports – Xiamen, Fuzhou and Meizhouwan – and each has cargo throughput of 100 million tons or more. There are 325 container routes in all ports in the province. With airports in Fuzhou, Xiamen, Wuyishan, Jinjiang and Liancheng, the number of domestic and international airlines operating in the province reached 218 in 2018. Fujian Province recorded continued increase in inflow of foreign direct investment, from USD6.68 billion in 2013 to USD8.58 billion in 2017, representing a CAGR of 6.5%. To encourage sustainable and healthy private investment, the central government has rolled out a number of attractive projects in sectors like rail, civil aviation, oil and natural gas and telecommunications, whilst the public-private partnership (PPP) model was extended to more areas in a well-regulated and orderly fashion. According to the Notice of the Fujian Provincial Department of Transport on Investment in areas of weakness for Infrastructure (《加大基礎設施補短板力度的實施方案(2019–2020年)》), the government has established a mechanism to strengthen coordination in shoring up infrastructure weaknesses, added to the major project reserve, and coordinated the planning and construction of major infrastructure projects. RMB149.7 billion would be invested in eight major construction works projects, including 38 highways, 120 provincial arterial highways, five inland water transport hubs, and 30 transport joint stations. As a result of supportive government policies, the construction industry in Fujian Province is expected to record higher growth than other provinces.

Market Outlook of the Foundation Works Market in Fujian Province

Fujian Province has actively developed its infrastructure in order to coordinate with the national policy direction, such as the “Belt and Road” Initiative, and also to cope with rapid economic growth. The Fujian Provincial Department of Transportation (福建省交通運輸廳) has commissioned eight major construction works projects for the coming years which are composed of 38 highways, five inland water transport, 90 ocean transport and 30 transportation hubs. Along with such infrastructure development, buildings for residential and commercial use in neighboring areas are also expected to increase and further push the demand for foundation works in Fujian Province. Moreover, in 2016, the Fujian provincial government published “Outline of the 13th

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Five-Year Plan for Housing and Urban-Rural Construction in Fujian Province” 《福建省住房和城鄉建設事業“十三五”規劃綱要》 which required urban area redevelopment and reform in Fujian Province, such as shanty area renovation, between 2016 to 2020. As such, the demand for construction works, including foundation works, in Fujian Province is expected to grow positively.

Market Drivers and Trends

Supportive governmental policies

The construction industry in the PRC has been supported by various governmental policies over the years. In 2017, the State Council has issued “Opinions of Promoting Sustainable and Healthy Development of Construction Industry” (《關於促進建築業持續健康發展的意見》) which outlined the promotion of quality and safety of construction works, and the sustainable development of the industry in coming years. In addition, the “13th Five-Year Plan for Development of Construction Industry” (《建築業發展“十三五”規劃》) also laid out the growth target of the construction industry at around annual growth rate of 7% between 2016 to 2020. The establishment of Greater Bay Area also amplifies the connectivity between Hong Kong, Macau and Chinese cities, including Shenzhen and Guangzhou, which offers enterprises with tremendous opportunities with new industries emerging and cementing themselves in the international value chain. Demand for office and other commercial space will experience a strong growth across the Greater Bay Area, thereby benefitting the construction industry. In addition, the outline of the Plan for the Development of Regional Integration in the Yangtze River Delta (長三角一體化發展) promotes the integration between the cities in the region, particularly in the areas of infrastructure and business activities. As a result, such favourable policies have supported a positive growth impetus to the foundation works market in the PRC.

Rapid growth of urban areas

According to the National Bureau of Statistics of China, the urbanisation rate of the PRC reached 59.5% in 2018. “National Plan of New-type Urbanisation (2014–2020)” (《國家新型城鎮化規劃(2014–2020年)》) has also stated that the urban population is forecasted to reach 60.0% by 2020. With increase in urban population in coming years, the demand for infrastructure development, namely transportation, water usage facilities, as well as housing will increase and hence drive the growth of the foundation works market.

Steady infrastructure development

In order to cater for the rapid urban development, the PRC Government has increased its investment on infrastructure projects, such as subway systems roads and bridges and river construction, in different cities. According to the NDRC, the number of infrastructure development projects in 2018 recorded annual growth rate of 5.3%. Moreover, the “Belt and Road” Initiative, which seeks to increase connectivity and international cooperation across Asia, Europe & Africa, has also promoted the development of infrastructure, such as highways, railways and harbours, to support this policy. As such, the market demand for foundation works in the PRC is expected to be driven positively.

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Strong performance of the real estate sector

The growth of fixed asset investments in the PRC, in particular the real estate sector, has been a major factor underpinning the rapid development of the construction industry recently. According to the National Bureau of Statistics of China, real estate investment in 2018 reached RMB12.0 trillion, representing a CAGR of 6.9% from 2013 to 2018. In addition, Political Bureau of the Communist Party of China (CPC) Central Committee reiterated that housing is for living, not speculation, and emphasized the creation of a long-term mechanism of the real estate market, which further promotes the stable development of property market in the PRC. Thus, the increasing investment in the real estate sector has directly driven the growth of the foundation works market in the PRC.

Development of green buildings

With the increasing awareness of sustainable development, and promotion of energy efficient, eco-friendly materials, the concept of green building development has been one of the key development trends in the construction industry, including foundation works. The PRC Government has issued “the 13th Five-Year Plan for Building Energy Efficiency and Green Building Development” (《建築節能與綠色建築發展“十三五”規劃》) which has outlined the promotion of energy efficient building technologies, as well as the development of green building. Moreover, the adoption of sustainable building materials was also mentioned in the abovementioned policy, which targeted raising the consumption of green building materials to 40.0% by 2020.

Innovation of aluminum formwork in construction industry

The construction market in the PRC sees growing adoption to aluminum formwork in building design in view of its advantages over the traditional construction methods, including saving on construction time, lower cost and higher flexibility in assembly. By using the aluminum formwork, walls, floor slabs, columns, beams, stairs, balconies together with door and window openings are cast in place in a single site-based operation. As a result, the building structure is strong, accurate in dimensions and tolerances, with a high quality of finished concrete surface. The aluminum formwork can be used repeatedly with low average cost and the assembly of it is simple and convenient. Aluminum formwork comes with different standard sizes and is flexible to assemble according to the requirement of the respective projects. Going forward, the usage of aluminum formwork in the PRC is expected to rise.

Market Challenges

Rising operational costs

Foundation works in the PRC is considered to be a labour-intensive industry. In recent years, the wages of construction workers in the PRC has been steadily rising which has increased the overall cost in the industry. In addition, the number of construction workers in the PRC cannot meet the rising demand from the construction industry. On the other hand, foundation works

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require various construction machineries, such as piling machines, excavators, which has also experienced a gradual increase in price recently. Overall, rising operational costs may hamper the profitability of the industry in the long run.

Increasing technical requirements

Over the years, market participants have implemented various applications and technologies, namely BIM, to enhance the overall quality of construction works. In addition, the PRC Government has also implemented policies to promote such technologies in the PRC construction industry, which has raised the demand for highly qualified and experienced professionals. As such, the increasing requirement for such professionals may impose operational difficulties on foundation works market participants as they may not have the capability to fulfil this requirement.

OVERVIEW OF ALUMINIUM FORMWORK MARKET IN THE PRC

Definition

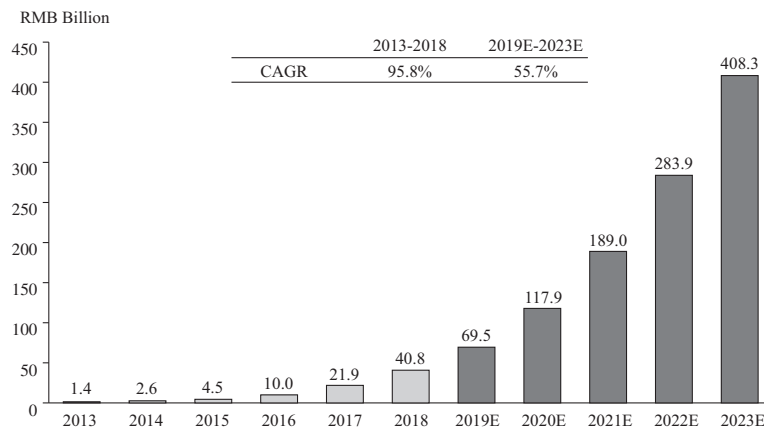
Aluminium is a light, durable, ductile and corrosion-resistant metal, suitable for a wide range of applications. It is one of the key engineering materials and can be easily rolled, pulled and stamped using pressure. Given its characteristics including strength, durability and flexibility, aluminium is used in a number of sectors such as automobile and transportation, building and construction, machinery and equipment, electronics, packaging, consumer durables, etc. Formwork is the process of creating a temporary mould into which concrete is poured and formed. Formwork is fabricated using materials such as timber, steel, aluminium and other materials. Building and construction is one of the largest and fastest growing market segments for aluminium extrusion products in the PRC. Aluminium extrusion products are used in manufacturing window and door frames, curtain walls and storefronts, formwork system and others. Aluminium formwork is a construction system for forming cast in place concrete structure of a building. It is used to schedule and control the work of other construction trades such as concrete placement, steel reinforcement, and M&E (mechanical and electrical) conduits. The system is adaptable and cost efficient.

Market Size

Stimulated by a series of supportive government policies and rising adoption of aluminium formwork in the construction industry, the aluminium formwork market in the PRC has experienced a dramatic growth at a CAGR of approximately 95.8%, from RMB1.4 billion in 2013 to RMB40.8 billion in 2018. With the steady development of the construction industry, rapid urbanisation and rising share of aluminium formwork in the overall formwork market in the PRC, aluminium formwork is forecasted to expand at a CAGR of approximately 55.7%, from RMB69.5 billion in 2019 to RMB408.3 billion by the end of 2023.

INDUSTRY OVERVIEW

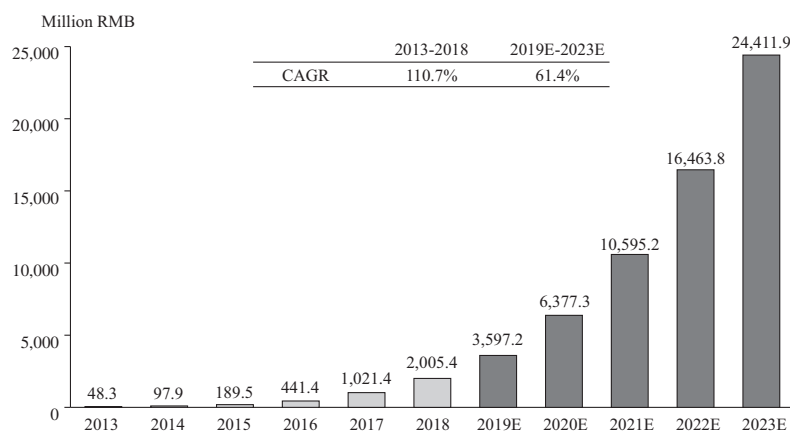
Market Size of Aluminium Formwork by Revenue (The PRC), 2013–2023E



Source: Frost & Sullivan

Given its adaptability and cost effectiveness, aluminium formwork system is gaining popularity in the construction industry in Fujian Province. From 2014 to 2018, the aluminium formwork market increased at a CAGR of approximately 110.7%, from RMB48.3 million in 2013 to RMB2,005.4 million by 2018. The growth trend is expected to continue in the next five years, attributed to the overall development of the construction industry and rising awareness of sustainability and green materials. It is forecasted that the revenue of the aluminium formwork market in Fujian Province will rise from RMB3,597.2 million in 2019 to RMB24,411.9 million in 2023, representing a CAGR of approximately 61.4% during the period.

Market Size of Aluminium Formwork by Revenue (Fujian Province), 2013-2023E



Source: Frost & Sullivan

Market Outlook of Aluminium Formwork in Fujian Province

Construction has long been one of the pillar industries of Fujian Province. In particular, given the characteristics of aluminium formwork such as better quality and higher efficiency, the Fujian government has been continuously promoting the growth of green buildings and the

INDUSTRY OVERVIEW

aluminium formwork system in the construction industry. In 2014, the MOHURD of Fujian Province issued a notice to support the drafting of relevant regulations and policies on aluminium formwork system, which has contributed to the development and wider adoption of the aluminium formwork in Fujian Province. Further, the MOHURD further issued Key Points of Construction Industry in Fujian Province in 2018 (《2018年福建省裝配式建築工作要點》) to bolster the growth of green buildings in the region, which is expected to fuel the future growth of aluminium formwork industry in Fujian Province.

Market Drivers and Opportunities

Increasing demand for smart construction

Rapid urbanisation and remarkable growth of the construction industry in the PRC have been driving the demand for smart construction processes and methods. The idea is adopted by a number of construction companies by incorporating new materials, methods and technologies within the construction industry. The use of aluminium formwork can help reduce construction costs and improve sustainability with less wastage and cleaner construction sites, which is preferred by various construction companies and real estate developers.

Supportive government policies and industry actions

Starting from 2010, aluminium formwork has been promoted as one of the major technologies used in the construction industry by the PRC Government, as stated in the “10 New Technologies in Construction Industry (2010)” (《建築業10項新技術(2010)》) released by the MOHURD. One year later, the China Non-Ferrous Metals Industry Association set out the goal of “Replacing Timber with Aluminium” (“以鋁代木”), aiming to stimulate the consumption of aluminium in the PRC. In 2015 and 2018, the MOHURD has further issued two files to encourage the manufacturing and application of aluminium formwork products in the construction industry. These supportive government policies and industry actions have contributed to the rapid development of aluminium formwork in the PRC during the past five years and are expected to support growth in the future.

Rise of green buildings and green building materials

The rising awareness of sustainability has stimulated the growth of green buildings and the use of green building materials in the PRC in recent years. Green buildings involve conservation of energy and resources with reduced waste generation, in order to minimise the impact to the environment. The usage of aluminium materials is in line with the core concept of green buildings, as aluminium is considered as a lightweight, sustainable and durable material. With the implementation of “the 13th Five-Year Plan for Building Energy Efficiency and Green Building Development” (《建築節能與綠色建築發展“十三五”規劃》), the development of green buildings is expected to grow continuously in the next five years. Further, as set out in the aforesaid plan, green buildings will account for 50.0% of the new buildings constructed in urban area and green building materials consumption will reach 40.0% of all building materials consumed by the end of 2020.

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OVERVIEW OF THE CONSTRUCTION MACHINERY, EQUIPMENT AND TOOLS LEASING MARKET IN THE PRC

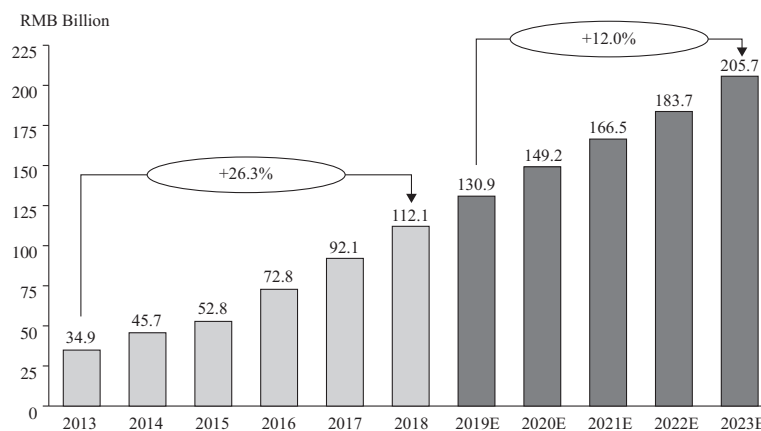
Definition

Construction equipment is comprised of tools and machineries used in projects including civil, building, electrical and mechanical (E&M) and repair, maintenance, alteration and addition (RMAA) works. Examples of construction machinery and equipment include generator welding set, air -compressor, compactor, roller, lighting tower water pump, wheel loader, bulldozer, tele-handler, boom lift, forklift and scissor lift. The leasing of construction equipment refers to contracts in which a lessee obtains machinery & equipment from the lessor for use during a lease term.

Market Size

The size of the construction machinery, equipment and tools leasing market in the PRC has grown rapidly from RMB34.9 billion in 2013 to RMB112.1 billion in 2018, representing a CAGR of 26.3%. The growth was predominantly due to the surging demand in the overall construction industry in the PRC, leading to an increase in the demand for construction equipment. With continued urbanisation, the market is expected to increase at a CAGR of 12.0% for the next five years, reaching RMB205.7 billion in 2023. It is increasingly common for construction works project contractors to rent or utilise refurbished machineries, so as to save on the initial costs of purchasing machineries and to enhance the financial liquidity of the company.

Market Size of Construction Machinery, Equipment and Tools Leasing by Revenue (The PRC), 2013–2023E



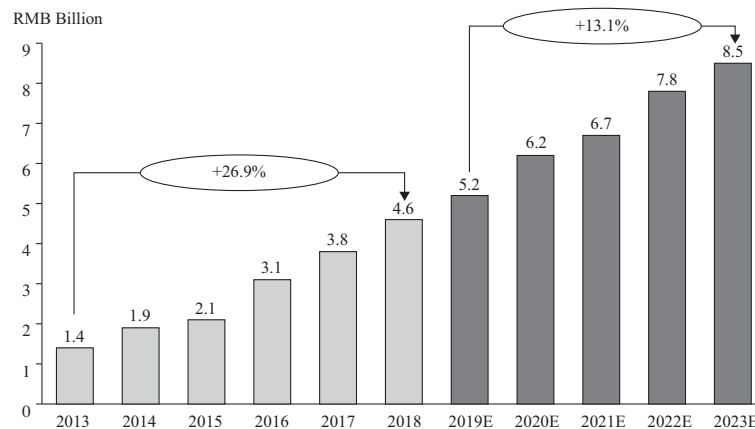
Source: Frost & Sullivan

As a result of the rapid growth of the construction market in Fujian Province, the size of the construction equipment, machinery and tools leasing market in Fujian Province increased from RMB1.4 billion in 2013 to RMB4.6 billion in 2018, representing a CAGR of 26.9%. Increasing

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investment in infrastructure projects and the use of advanced construction equipment has led to all increase in the demand for construction equipment leasing. The market size is expected to grow at a CAGR of 13.1% during 2019 to 2023.

Market Size of Construction Machinery, Equipment and Tools Leasing by Revenue (Fujian Province), 2013-2023E



Source: Frost & Sullivan

Market Outlook of Construction Machinery, Equipment and Tools Leasing Market in Fujian Province

The demand for machinery and equipment in Fujian Province is associated with the overall development of the construction industry. With the contract value of construction works performed in Fujian Province increasing from RMB546.2 billion in 2013 to RMB1,154.9 billion in 2018, the strong demand from the construction industry further supports the demand for machinery and equipment. Together with supportive government policies in promoting infrastructure projects, an increasing number of contractors in Fujian Province are embracing the asset light strategy by using the rental services to further their expansion. This rising trend continues to support the demand for rental services in Fujian Province.

Market Drivers and Opportunities

Demand for leasing services underpinned by technological advancement

Technological innovation is forecasted to drive the growth of construction leasing services in the PRC. The use of telematics technologies, such as GPS-based location tracking, machine idling time and fuel-level detection, is expected to increase. Moreover, operating assistance systems that boost machine lifetime, including component performance and operator comfort, are being preferred for use in construction equipment. Sustained technological advancements are forecasted to expedite the replacement of equipment for construction works, thereby benefiting the construction equipment leasing services, which enables customers to use advanced models at lower initial cost.

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Supportive policies for the introduction of advanced technologies

Supportive government policies, such as financial and tax incentives for introducing advanced technologies from developed countries, are offered to promote the upgrade of equipment. For instance, the PRC Government has exempted import duties and related value-added tax (VAT) for the import of key R&D equipment, materials, and components. Since 1 November 2018, the average tax rate of imported machine tools was reduced from 12.2% to 8.8%. The supportive government policies are expected to expedite the introduction of advanced construction equipment and support the growth of construction equipment, machinery and tools leasing market in the PRC.

COMPETITIVE LANDSCAPE

Competition Overview of the Foundation Works Market in the PRC

The foundation works industry in the PRC is highly fragmented. There were over 30,000 construction enterprises in the PRC in 2018 engaging in foundation works. In 2018, the revenue of foundation works market in the PRC was RMB3.1 trillion. In 2018, our Group was the third largest non-state owned foundation works subcontractor by revenue in the PRC.

Ranking of Top Three Foundation Works Subcontractors (Non-state Owned) by Revenue (the PRC), 2018

Rank	Market participant	Headquarter	Year of Establishment	Revenue (RMB Million)
1	Company A	Shanghai	1994	1,127.1
2	Company B	Shenzhen	1991	970.0
3	The Group	Fujian Province	2012	874.3

Source: Frost & Sullivan

Notes:

1. Company A is a private company engaged in piles and deep foundation contract services in the PRC.
2. Company B is an engineering contractor mainly specialising in geological exploration, design, construction, geological hazard risk assessment, and other services.
3. The ranking is calculated only taking consideration into non-state owned subcontractors with revenue generated from foundation works in the PRC.

INDUSTRY OVERVIEW

The foundation works industry in Fujian Province is fragmented. There were over 1,200 construction enterprises in Fujian Province in 2018 engaged in foundation works. In 2018, the size of the foundation works market in Fujian Province was around RMB 139.6 billion. In 2018, our Group was the largest foundation works subcontractor by revenue in Fujian Province.

Ranking of Top Three Foundation Works Subcontractors by Revenue (Fujian), 2018

Rank	Market participant	Year of Establishment	Revenue (RMB Million)
1	The Group	2012	874.3
2	Company C	2002	191.4
3	Company D	1999	98.2

Source: Frost & Sullivan

Notes:

1. Company C is a listed company specialising in geotechnical engineering services for civil buildings, industrial buildings, traffic engineering, municipal engineering, hydraulic engineering, and offshore wind power projects.
2. Company D is a non-state owned company engaging various construction services, including foundation works, civil engineering.
3. The ranking is calculated only by taking into consideration Fujian-based state-owned and non-state owned subcontractors with revenue generated from foundation works in the PRC.

Competitive Overview of the Construction Machinery, Equipment and Tool Leasing Market in the PRC

The construction machinery, equipment and tool leasing market in the PRC is relatively fragmented with over 10,000 industry participants specialising in various sub-markets. Most of the market players are medium to smaller scale players.

Competitive Overview of the Construction Market in Fujian Province

The construction industry in Fujian Province is highly fragmented with approximately 5,000 market participants. In 2018, CSCEC Strait Construction and Development Co., Ltd is the largest main contractor in Fujian Province in terms of revenue, with approximately 0.9% market share of the overall Fujian Province construction industry.

Competitive Overview of the Aluminium Formwork Market in the PRC

By the end of 2018, there were around 1,000 companies participating in the design, manufacturing, leasing, sales and/or the installation services of aluminium formwork market in the PRC. Only around 500 of the market participants were capable of manufacturing aluminium formwork products and 80 companies were recognised as sizable enterprises according to the China Construction Material Rental Contractor Association (CCMRCA). According to the CCMRCA, most of the market participants in the PRC aluminium formwork market are located in Northeast, East and Southeast China due to the large demand for aluminium formwork in these regions.

INDUSTRY OVERVIEW

Cost Analysis

The Producer Price Index (PPI) indicates the average price changes of products over the years. The principal materials used in the construction industry primarily include steel and cement. Between 2013 to 2018, the price of steel and cement dropped suddenly in 2015 primarily due to the implementation of a “de-capacity” policy by the PRC Government. The price has been recovering since 2016 with the increasing demand of such products in the market. The PPI of steel and cement in the PRC increased at a CAGR of 6.5% and 2.1% respectively from 2013 to 2018.

According to the statistics from the National Bureau of Statistics of China, the average annual wage of workers in the construction industry in urban areas of China increased from RMB42,072.0 in 2013 to RMB60,501 in 2018, representing a CAGR of 7.5% between 2013 to 2018. The total number of employed persons in construction industry in the PRC increased from 45.0 million in 2013 to 55.4 million in 2017. The slow growth in the number of construction workers in the PRC has intensified the issue of labour-shortage within the construction industry which has contributed to the rapid rise of average wages of the construction industry in the PRC over the years.

Entry barriers

Capital Requirement

The construction industry, including foundation works, in the PRC is considered to be a capital intensive industry because a sufficient amount of cash reserve is required for the early stage of construction works as the payment of the construction works project is divided into multiple settlements and payment is only made according to the work progress. In addition, market participants are required to have at least RMB4.0 million in net asset to be eligible to apply for the PRC’s “Foundation Works Professional Contractor Qualification” (地基基礎工程專業承包企業資質). In particular, the minimum net asset for first class professional sub-contractor in foundation engineering works (地基基礎工程專業承包一級資質) is RMB20.0 million. As such, market entrants may find it difficult to have sufficient capital to sustain their business.

Technical expertise and project experience

A sound and proven track record for foundation works projects and technical experience are one of the key entry barriers for conducting foundation works business in the PRC. Apart from project fee and business relationship, relevant track record is also one of the selection criteria for the main contracting role in the project. In addition, proven track record is required for achieving higher level of “Foundation Works Professional Contractor Qualification” (地基基礎工程專業承包企業資質) and to be eligible for tendering higher contract value of foundation works project. Leading market players may already establish the business with a team which has strong experience and a track record to outcompete any new market entrants.

Licensing Requirements

Licensing is required to conduct various construction works in the PRC, including foundation works. MOHURD has formulated 60 types of “Professional Contractor Qualification System” which has layout certain criterion regarding to the area of finance, technical requirements and management structure. Market entrants may not be able to meet the requirements and conduct eligible foundation works in the PRC.

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LAWS AND REGULATIONS RELATING TO OUR OPERATIONS IN THE PRC

POLICIES RELATING TO FOREIGN INVESTMENT IN THE CONSTRUCTION PROJECT CONTRACTING INDUSTRY

Foreign investments in various industries in the PRC are regulated through Catalog of Industries for Encouraged Foreign Investment (鼓勵外商投資產業目錄) and Special Administrative Measures for Access of Foreign Investment (negative list) (外商投資准入特別管理措施負面清單) as jointly amended and promulgated from time to time by the NDRC and the MOFCOM. According to the Catalog of Industries Encouraged Foreign Investment (2019 Edition) (鼓勵外商投資產業目錄(2019年版)) (promulgated on 30 June 2019 and implemented on 30 July 2019) as well as the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 Edition) (外商投資准入特別管理措施(負面清單)(2019年版)) (promulgated on 30 June 2019 and implemented on 30 July 2019), construction project contracting is permitted for foreign investment and construction as well as operation of sewage treatment plants is encouraged for foreign investment.

Qualifications for construction project contracting

The Construction Law of the People’s Republic of China (中華人民共和國建築法) (promulgated on 1 November 1997, implemented on 1 March 1998 and last amended and implemented on 23 April 2019), the Provisions on the Administration of Qualifications of Enterprises in Construction Industry (建築業企業資質管理規定) (promulgated on 22 January 2015, implemented on 1 March 2015 and last amended and implemented on 22 December 2018), Qualification Standards of Construction Enterprises (建築業企業資質標準) (promulgated on 6 November 2014, implemented on 1 January 2015, last amended on 14 October 2016 and implemented on 1 November 2016), the Premium Class Qualification Standards for General Construction Sub-Contractors (施工總承包企業特級資質標準) (promulgated and implemented on 13 March 2007 and last amended and implemented on 9 October 2015), the Implementing Measures of Premium Class Qualification Standards for General Construction Sub-Contractors (施工總承包企業特級資質標準實施辦法) (promulgated on 30 November 2010 and amended and implemented on 9 November 2015), the Construction Enterprise Qualification Management Regulations and the Implementation of Qualification Standards (建築業企業資質管理規定和資質標準實施意見) (promulgated on 31 January 2015 and implemented on 1 March 2015 and last amended and implemented on 9 November 2015), together with other regulations stipulate the application requirements and the scope of contracting of construction enterprises.

An enterprise in construction industry may only applied for relevant qualification to contract for those construction works that fall within the relevant class in accordance with the laws and regulations mentioned above. The qualifications of enterprises in construction industry fall into three categories, namely, general contractors that are qualified in undertaking the whole construction project, professional contractors that are qualified in undertaking a specialised contract and labour services contractors that are qualified in undertaking labour services. The qualifications of general contractors are classified into the following categories: Special Grade, Grade I, Grade II and Grade III. Qualifications of professional contractors are classified into the following categories: Grade I, Grade II and Grade III. An enterprise holding the qualification of general contractor can carry out all the works it contracted that fall within the scope of

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qualification, or subcontract subordinate construction works or labour services to qualified professional services contractors or qualified labour services subcontractors. A qualified professional contractor may undertake the professional services legally subcontracted out by a qualified general contractor but is prohibited to subcontract out such works again.

Specific requirements in relation to standards for these categories and grades have been made in the Qualification Standards of Construction Enterprises, while the premium qualification standards have been made separately in the Premium Class Qualification Standards for General Construction Contractors. In particular, for general contract of municipal public works and professional contract of steel structure works, the qualification grades are determined based on the assets, the key staff, the project performance and the technologies and equipment of an enterprise; for professional contract of foundation works, hoisting facilities installation works and construction electromechanical installation works, the qualification grades are determined based on the assets, the key staff, the project performance of an enterprise; and for professional contract of formwork and scaffold fixing works, the qualification grades are determined based on the assets and key staff of an enterprise. Enterprises with different qualification grades undertake works with different scopes in accordance with the Qualification Standards of Construction Enterprises.

The qualification certificates of construction enterprises shall be valid for five years. Enterprises should apply for renewing the qualification certificates three months before its expiration with the same authorities that issued the certificates.

Tender and bidding

According to the Construction Law of the PRC and the Tendering and Bidding Law of the PRC (中華人民共和國招標投標法) (promulgated on 30 August 1999, implemented on 1 January 2000 and amended on 27 December 2017 and implemented on 28 December 2017), bidding shall be carried out for the survey, design, construction and supervision of the large-scale infrastructure facilities and public utilities and other projects concerning the public benefits and safety, as well as the procurement of the primary equipment and materials for the construction of such projects. Successful bidder may, in accordance with the provisions of the contract or as agreed by the tender inviter of the project, subcontract part of the subordinate or the less crucial works to other enterprises. The invitations for bids and tenders for the outsourcing and contracting of a construction project shall comply with principles of transparency, impartiality and equal competition, and the contracting party shall be selected based on merits.

The Administrative Measures for Tendering and Bidding for Buildings Construction and Municipal Infrastructure Construction Works Projects (房屋建築和市政基礎設施工程施工招標投標管理辦法) (promulgated and implemented on 1 June 2001, last amended and implemented on 13 March 2019) further stipulates the specific requirements for tender and bidding activities involving buildings and municipal infrastructure projects that must be subject to the bidding process in accordance with the laws. For example: (i) Public bidding shall be carried out where the project is wholly invested with state-owned capital or where the state investment is in a controlling or leading position, except for the key construction works projects for which bidding invitation is permitted by the NDRC or the people's government of the provinces, autonomous regions and municipality in compliance with the laws; while invitation for bidding will be carried out for other works; (ii) self-constructed single project for proprietary usage of qualified construction enterprises that

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resumes construction after suspension or postponement with unchanged contractor, additional minor works or main-body storey-appending works of project under construction with unchanged contractors, and other circumstances as stipulated in the laws, regulations and rules and approved by the local people's governments above the county level, may be exempt from bidding procedures; (iii) construct projects that must be subject to bidding procedures in accordance with the laws shall publish bidding announcement on newspapers, periodicals, information networks or other media designated by the state or local authorities, and simultaneously issue the same on the website of China Engineering and Construction Industry Information (中國工程建設和建築業信息網). The notice of tender shall set out particulars including the name and address of a bid inviter, the nature, size and location of the project subject to bid invitation as well as how to obtain the bidding documents.

Relevant requirements and procedures in relation to tender and bidding have been stipulated in the Law of the People's Republic of China on Bid Invitation and Bidding (中華人民共和國招標投標辦法), the Implementation Regulations for Tendering and Bidding Law of the People's Republic of China (中華人民共和國招標投標法實施條例) (promulgated on 20 December 2011, implemented on 1 February 2012 and last amended on 2 March 2019), the Tendering and Bidding Methods on Project Construction (工程建設項目施工招標投標辦法) (promulgated on 8 March 2003, implemented on 1 May 2003 and amended on 11 March 2013 and implemented on 1 May 2013) and other relevant legal documents. A bid evaluation commission shall be organised and established by the bidding inviters for bid evaluation. The bid evaluation commission shall be composed of the representatives of the bidding inviters and the experts in technology, economy, etc. The number of the members shall be five or the odd numbers over five, among which the experts in technology, economy, etc. shall not be less than two thirds of the total number of the members. Such experts shall have at least eight years' experience in relevant fields with senior professional titles or an equivalent professional level. They shall be chosen by the bid inviter from the name lists of experts provided by relevant departments under the State Council or under the people's governments of provinces, autonomous regions or municipalities directly under the Central Government or from the name lists of experts in the relevant fields contained in the pools of experts maintained by bid invitation agencies. For an ordinary project subject to bid invitation, a random choice may be made, but for a special project, the experts may be chosen directly by the bid inviter.

Work safety in construction

According to the Work Safety Law of People's Republic of China (中華人民共和國安全生產法) (promulgated on 29 June 2002 and implemented on 1 November 2002 and last amended on 31 August 2014 and implemented on 1 December 2014), a production entity must meet the state's legal standard or industrial standard on work safety and provide work conditions set out in relevant laws, administrative rules and State or industry standards. An entity that cannot provide required work safety conditions may not engage in production activities.

According to the Administrative Regulation on the Work Safety of Construction Project (建設工程安全生產管理條例) (promulgated on 24 November 2003 and implemented on 1 February 2004), project owners shall not make to the entities engaged in surveying, design, engineering and supervision of such projects any request that does not meet the requirements under laws and regulations relating to work safety and the relevant compulsory standards. The project owners shall not shorten the contracted time of delivery. The chief person-in-charge of the construction entities

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is responsible for the overall work safety of the entities concerned in compliance with relevant laws. The project owners, survey entities, design entities, construction entities, construction supervision entities and other parties involved in the work safety of the construction project shall comply with the requirements of the laws and regulations on work safety to ensure the work safety of the construction project and assume responsibilities for the work safety of the construction project according to law. In the case of a project covered by a general contract, the general contractor will be liable for the general work safety of the construction site and assume joint and several liabilities for the subcontracted portions of the project together with the subcontractors. The construction entities shall establish a work safety department and allocate full-time safety management personnel. The construction entity must purchase accidental injury insurance for the workers engaged in dangerous works on the construction site for injuries suffered in work-related accidents, and the insurance premium will be paid by the construction entity. In the case of a construction work covered by a general contract, the insurance premium will be paid by the general contractor. The period covered by the insurance policies should commence on the start date of the construction project and terminate on the date of the inspection and acceptance upon the completion of the project. The competent construction administrations under the PRC Government at the county level or above shall carry out supervision and administration of work safety of the construction works projects within the relevant administrative areas.

Work safety license

For the issue and management of the work safety license of construction enterprises, specific requirements were made in the Regulation on Work Safety License (安全生產許可證條例) (promulgated and implemented on 13 January 2014 and last amended and implemented on 29 July 2014), the Administrative Regulation on Work Safety License of Construction Enterprises (建築施工企業安全生產許可證管理規定) (promulgated and effective on 5 July 2004 and amended on 22 January 2015) and the Guidance on the Implementation of the Administrative Regulation on Work Safety License of Construction Enterprises (建築施工企業安全生產許可證管理規定實施意見) (promulgated and implemented on 27 August 2004). Construction enterprises shall be subject to the work safety license system implemented by the PRC Government. Before undertaking any construction activity, a construction enterprise shall apply for a work safety license from the competent department of construction of the people's government of the province, autonomous region or municipality directly under the central government at the place where the enterprise is registered. Without work safety license, construction enterprises shall not engage in construction activities. The work safety license shall be valid for three years. An enterprise should apply for renewing the license three months before its expiration with the same authority that issued the license. The competent department of construction shall, before issuing a construction license, examine whether the construction enterprise has obtained a work safety license. If the enterprise failed to obtain a work safety license, it shall not be issued a construction license. If a construction enterprise suffers any major safety accidents, its work safety license will be suspended temporarily and it shall make rectification within a prescribed time.

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Categories of accidents

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

- (a). Particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million;
- (b). Significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million;
- (c). Relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and
- (d). General accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million.

Accident prevention

The MOC introduced the Provisions on the Falling Substance Accident Prevention of the Construction Works Projects (建築工程預防高處墜落事故若干規定) (promulgated and implemented on 17 April 2003) sets out strict rules on staff and equipment requirements for height operation under a strict liability regime. The Provisions on Collapse Prevention of Construction Works Projects (建築工程預防坍塌事故若干規定) (promulgated and implemented on 17 April 2003) requires the entities engaged in construction, reconstruction, expansion and other activities to prepare the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment.

Labour protection equipment

The Interim Measures of Construction Workers Using Personal Protective Equipment (建築施工人員個人勞動保護用品使用管理暫行規定) (promulgated and implemented on 5 November 2007) provides strict rules on the use and management of personal protective equipment for construction workers.

Quality supervision

According to Regulation on the Quality Management of Construction Works Projects (建設工程質量管理條例) (promulgated and implemented on 30 January 2000 and amended and implemented on 23 April 2019), the project owners, survey entities, design entities, construction entities and construction supervision entities shall be responsible for the quality of construction

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works projects in accordance with the laws. Those engaging activities of construction works projects shall strictly comply with the fundamental construction procedures and follow the order of survey, design and construction. In a general contracting construction project, the general contractor is liable for quality of the overall work. If the general contractor contracts out the construction project to another entity in accordance with the law, the subcontracting entity shall, under the sub-contractual stipulations, be responsible for the quality of the project subcontracted by it to the general contractor. The general contractor and the subcontracting entity shall be jointly and severally responsible for the quality of the aforesaid project. Quality warranty system shall be adopted for construction works projects. If any quality problem occurs, which falls within the scope of quality warranty and the warranty period, the construction entity shall perform the warranty obligation and be liable for the compensation of losses therefrom.

The PRC Government adopts a system of supervision and regulation of the quality of construction works projects. The construction administrative department of the State Council shall supervise and regulate the quality of construction works projects in China in a centralised manner. The relevant departments of railways, communications and water resources of the State Council shall be responsible for supervising and regulating the quality of the relevant special construction works projects in China.

Blacklist Management System

Pursuant to Implementation Measures for the Management of the Blacklist of Bad Records of the Responsible Subjects of Construction Projects in Fujian Province (Trial) (福建省建設工程責任主體不良記錄“黑名單”管理實施辦法(試行)) (promulgated on 1 September 2016 and implemented on 1 January 2017), the Ministry of Housing and Urban-Rural Development of Fujian Province (hereinafter referred to as the “**Provincial Office**”) is responsible for supervising and guiding the implementation of the “blacklist” of the province; formulating standards and restraint measures and disciplinary systems for inclusion in the provincial “blacklist”; establishing of the “Blacklist Management System for Bad Records of Construction Project Responsibility Subjects” under the “Credit Management Platform” of the “Market Integrated Supervision Information Platform”; and uniformly publishing relevant information of the responsible subjects included in the “blacklist”; and supervising and controlling the responsible entities included in the provincial “blacklist”.

A construction entity will be awarded with a certain demerit points for the violations specified in Measures for Dynamic Supervision and Control of Quality and Safety of Construction Projects in Fujian Province (福建省建設工程質量安全動態監管辦法) (promulgated on 23 April 2018 and implemented on 1 January 2019) depending on the types of violation. The violations triggering the award of demerit points including but not limited to fail to install closed fences or enclosures around the construction site, fail to install entrance gate, car wash station and equipment, sedimentation tank, fail to install dust proof facilities at our construction site, fail to apply for drainage permit for our construction site and discharged the sewage wastewater directly without being treated by sedimentation. Pursuant to Implementation Measures for the Management of the Blacklist of Bad Records of the Responsible Subjects of Construction Projects in Fujian Province (Trial) (福建省建設工程責任主體不良記錄“黑名單”管理實施辦法(試行)), the top 30 construction entities with the most demerit points shall be included in the blacklist of bad records.

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During the period of “blacklist” management, the competent departments of housing and urban construction at all levels shall strictly implement various disciplinary measures and systems in accordance with relevant regulations, including the restriction on undertaking business, conducting video surveillance, conducting differential supervision.

As-built inspection of construction works projects

Pursuant to the Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收規定) (promulgated and implemented on 2 December 2013), the construction entities shall make applications to the project owners after the completion of the construction work for the final inspection and acceptance. The construction project owners shall organise an inspection team comprising survey, design, construction and supervision units to conduct final inspection and acceptance. Each unit separately reports the performance of the project contract and the compliance of relevant laws, regulations and mandatory standards regarding construction works projects in each phase of the construction.

According to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) (promulgated and implemented on 4 April 2000 and amended and implemented on 19 October 2009), the measures apply to the filing of as-built inspection of new construction, expansion and reconstruction of various housing, building and municipal infrastructure projects. A project owner shall, in accordance with the measures, go through the filing formalities with the construction administrative department of the people’s government at or above the county level at the place where the project is located within 15 days as at the date on which the as-built inspection of the project is passed.

Environmental protection

For environmental protection issues during the construction period of construction works projects, relevant requirements are made in the Environmental Protection Law of the People’s Republic of China (中華人民共和國環境保護法) (promulgated and implemented on 26 December 1989, last amended on 24 April 2014 and implemented on 1 January 2015), the Air Pollution Prevention and Control Law of the People’s Republic of China (中華人民共和國大氣污染防治法) (promulgated on 5 September 1987 and implemented on 1 June 1988 and last amended and implemented on 26 October 2018), the Water Pollution Prevention and Control Law of the People’s Republic of China (中華人民共和國水污染防治法) (promulgated on 11 May 1984 and implemented on 1 November 1984 and last amended on 27 June 2017 and implemented on 1 January 2018), the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People’s Republic of China (中華人民共和國固體廢物污染環境防治法) (promulgated on 30 October 1995 and implemented on 1 April 1996 and last amended and implemented on 7 November 2016), Environmental Impact Evaluation Law of the People’s Republic of China (中華人民共和國環境影響評價法) (promulgated on 28 October 2002 and implemented on 1 September 2003 and last amended and implemented on 29 December 2018), the Regulations on Environmental Protection Management of Construction Works Projects (建設項目環境保護管理條例) (promulgated and implemented on 29 November 1998 and last amended on 16 July 2017 and implemented on 1 October 2017) and other relevant laws and regulations.

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A construction entity shall adopt measures to control environmental pollution and damage caused by dust, waste gas, sewage, solid waste, noise and vibration at the construction site in accordance with the laws and regulations on environmental protection and work safety. The PRC Government implemented an environmental impact evaluation system for construction works projects.

According to the Environmental Protection Law of the People's Republic of China, in order to prevent environmental pollution and protect the ecological environment, the competent environmental protection authority under the State Council formulates national pollutant discharge standards in accordance with national environmental quality standards and national economic and technological conditions. The people's governments of provinces, autonomous regions, and municipalities directly under the central government may formulate local pollutant discharge standards for items that are not specified in the national pollutant discharge standards; and formulates stricter standards for those that have been specified in the national pollutant discharge standards. Local pollutant discharge standards shall be filed with the competent environmental protection authority under the State Council, and enterprises shall comply with the stricter of the national and local environmental protection standards.

Pursuant to the Environmental Protection Law of the People's Republic of China, enterprises, institutions or other producers or business operators that discharge pollutants shall adopt effective measures to avoid and control the pollution and damage caused to the environment. Pollution prevention facilities in construction works projects shall be designed, built and put into operation together with the main part of the project. Enterprises and institutions discharging pollutants shall report to and register with the relevant authorities in accordance with the provisions of the environmental protection authority under the State Council. The administrative authorities of environmental protection will record wrongful acts in the social credit history and timely disclose information. In addition, an enterprise that breaches relevant rules to discharge pollutants shall be fined and ordered to take correction measures. If the enterprise refuses, the competent authority may continuously impose fine for each day the violation remains uncorrected based on the original fine from the next day after making the decision.

Pursuant to the Environmental Impact Evaluation Law of the PRC, the PRC Government sets up a system to evaluate the environmental impact of construction works projects, classify and administer the environmental impact appraisals in accordance with the degree of environmental impact.

Pursuant to the Measures on the Inspection and Acceptance of the Environmental Protection Work Upon Completion of Construction Works Projects (建設項目竣工環境保護驗收管理辦法), (promulgated on 27 December 2001 and effective on 1 February 2002 and amended and implemented on 22 December 2010), the environmental protection inspection and acceptance for a completed construction project refers to the activity carried out by the competent environmental protection authority to examine whether the construction project has satisfied the environmental protection requirements in accordance with the requirements of this Measures. This shall be conducted through on-site inspection and based on the monitoring and investigation results from environmental protection inspection.

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Logistics transportation

Pursuant to the Regulations on Road Transport of the People's Republic of China (中華人民共和國道路運輸條例) (promulgated and implemented on 1 July 2004 and last amended and implemented on 2 March 2019), conditions of applying for engaging in freight transport are as follows: (i) the applicant shall have vehicles that are considered up to standard after testing and are commensurate with the operation; (ii) the applicant shall have drivers that meet specified conditions; (iii) the applicant shall have a sound safety production management system. Drivers engaging in freight transport shall: (i) obtain the corresponding motor vehicle driving license; (ii) be below 60 years old; (iii) pass the examination designed by the road transport administration institution at the city level concerning the basic knowledge with respect to the laws and regulations of freight transport, motor vehicle maintenance and repair as well as the loading and storage of goods. Enterprises engaging in the freight transport excluding the transport of dangerous goods shall make application to the road transport administration institution and submit relevant materials according to the above requirements; while the road transport administration institution receiving the application shall review and made a decision of approval or disapproval within 20 days from the date of acceptance. In the case of approval, the road transport administration institution shall issue the road transport operation license to the applicant and the motor vehicle operation license to the vehicles put into transportation by the applicant; in the case of disapproval, a written notice shall be issued and the reasons shall be provided to the applicant.

Pursuant to the Law on Road Traffic Safety of the People's Republic of China (中華人民共和國道路交通安全法) (promulgated on 28 October 2003, implemented on 1 May 2004 and last amended on 22 April 2011 and implemented on 1 May 2011), for the motor vehicles running on road after registration, regular technical inspections of safety shall be carried out in accordance with the laws and administrative regulations and in light of such different particulars as the purpose of use, the cargo loading status and the service life, etc. of the vehicles. Freight vehicles are prohibited to carry passengers. If a freight vehicle needs to bring workers, safety measures shall be taken to protect the workers. A freight vehicle that exceeds the ratified load capacity shall be imposed upon a fine of not less than RMB200 but not more than RMB500; if it exceeds the ratified load capacity by 30% or violates the provisions to carry passengers, it shall be imposed upon a fine of not less than RMB500 but not more than RMB2,000.

Pursuant to the Highway Law of the People's Republic of China (中華人民共和國公路法) (promulgated on 3 July 1997, implemented on 1 January 1998 and last amended on 4 November 2017 and implemented on 5 November 2017), the axle-load of vehicles running on roads should conform to the road engineering technical standards. Vehicles that exceed the load, height, width and length limits of roads, road bridges and road tunnels are not allowed to run along such roads, road bridges or road tunnels. Necessary running of such limit-exceeding motor vehicles must be approved by the transportation authorities of local people's governments at the county level or above and necessary and effective protective measures should be adopted. Vehicles carrying undegradable objects exceeding the prescribed limits should run at the designated time, route and speed allowed with apparent signs posted on easy-to-see places. If the transport entity concerned is incapable of carrying out the aforementioned protective measure, the transportation authorities should assist in action with costs being borne by the transport entity concerned.

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Wastewater treatment

Water quality

The water quality of effluent flowing from municipal wastewater treatment plants should comply with the standards set out in the Discharge Standards of Pollutants for Municipal Wastewater Treatment Plants (城鎮污水處理廠污染物排放標準) (GB18918–2002) (promulgated on 24 December 2002 and implemented on 1 July 2003 and last amended and implemented on May 8 2006). According to the Law of the PRC on the Prevention and Control of Water Pollution, the company operating centralised treatment facilities for municipal wastewater is responsible for the quality of the effluent from the wastewater treatment plant.

Pollutants discharge permit

According to the Environmental Protection Law of the PRC and the Law of the PRC on the Prevention and Control of Water Pollution, an enterprise operating centralised treatment facilities of urban wastewater shall obtain a pollutant discharge permit. It is forbidden for enterprises and public institutions to discharge wastewater into the water body without a pollutant discharge permit or in violation of the provisions of the pollutant discharge permit.

According to the Measures for Pollutant Discharge Permitting Administration of Fujian Province (福建省排污許可證管理辦法) (promulgated on 29 July 2014 and implemented on 1 September 2014), enterprises, institutions and other production operators with facilities for the centralised treatment of urban and rural wastewater and industrial wastewater shall obtain a pollutant discharge permit.

According to the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation) (排污許可管理辦法(試行)) (promulgated and implemented on 10 January 2018), the Ministry of Environmental Protection conducts administration with unified codes on the pollutant discharging units and their facilities, pollution treatment facilities and discharge outlets with the implementation of the sewage licensing management. The Ministry of Environmental Protection shall formulate and publish a list of the classification and management of sewage permit according to laws and set out the scope of the management of the pollutant discharge permit and the time limit for applying for the pollutant discharge permit. Enterprises, institutions and other production operators on the classification and administration lists of pollutant discharge permits for stationary pollution sources (hereafter referred to as the pollutant discharging unit) shall apply for and obtain a pollutant discharge permit within the time limit.

Provisions on urban wastewater treatment

According to the Provisions on Urban Drainage and Wastewater Treatment (城鎮排水與污水處理條例) (promulgated on 2 October 2013 and implemented on 1 January 2014), competent departments of urban drainage and wastewater treatment of local people’s governments at or above the county level are the supervisory and administrative authority of urban drainage and wastewater treatment work within their respective administrative regions. The state government of the PRC shall encourage the adoption of concession operation, government procurement of services and other various means to attract private capital to participate in the investment,

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construction and operation of urban drainage and wastewater treatment facilities. After urban drainage and sewage treatment facilities pass final inspection and acceptance upon completion, the competent department of urban drainage concerned shall determine qualified facilities maintenance and operation entities to be responsible for managing such facilities through bidding, entrustment and other ways. Competent departments of urban drainage shall enter into maintenance and operation contracts with entities responsible for the maintenance and operation of urban wastewater treatment facilities to specify the rights and obligations of both parties. Entities responsible for the maintenance and operation of urban wastewater treatment facilities shall ensure the quality of the water discharged meets national and local discharge standards, and may not discharge sewage incompliant with relevant standards.

Concession in municipal public utilities projects

According to the Measures for the Administration on the Concession of Municipal Public Utilities (市政公用事業特許經營管理辦法) (promulgated on 19 March 2004, implemented on 1 May 2004 and revised and implemented on 4 May 2015), for wastewater treatment and other industries that are subject to concession according to laws, the governments shall select investors or operators of municipal public utilities projects through market competition mechanism, clarifying that they may engage in certain products of municipal public utilities or provide certain services within a given time limit and scope. The competent departments of municipal public utilities of the people's governments of municipalities directly under the central governments, cities, and counties (hereinafter referred to as the competent departments) shall be responsible for the specific implementation of the concession of municipal public utilities within their own administrative regions with the authorization of the people's governments.

According to the Measures for the Administration on the Concession of Infrastructure and Public Utilities (基礎設施和公用事業特許經營管理辦法) (promulgated on 25 April 2015 and implemented on 1 June 2015), the competent departments of the relevant industry in people's governments at or above county level or the departments authorised by the governments may, in accordance with the needs of economic and social development, as well as the proposals for concession projects made by the relevant legal persons and other organisations, etc., put forward the implementation plans of concession projects. People's governments at or above county level may authorise relevant departments or entities as implementing organisations responsible for relevant implementation of concession projects and specify the specific scope of authorization. The implementing organisations shall, in accordance with the approved implementation plans of concession projects, select the grantees of concession rights through bidding, competitive negotiation and other competitive modes and sign concession agreements with grantees of concession rights selected according to laws.

Labour and personnel

The Labour Law of the People's Republic of China (中華人民共和國勞動法) (promulgated on 5 July 1994, implemented on 1 January 1995 and last amended and implemented on 29 December 2018) regulates the issues relating to promotion of employment, employment contracts, working hours and rest days and holidays, wages, occupational safety and health, special labour protection for female worker and juvenile workers, training of vocational skills, social insurance and welfare and settlement of labour disputes.

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Pursuant to the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法) (promulgated on 29 June 2007, implemented on 1 January 2008 and amended on 28 December 2012 and implemented on 1 July 2013) and the Regulation on the Implementation of the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法實施條例) (promulgated and implemented on 18 September 2008), an employer's employment relationship with an employee is established on the date it starts employing the employee and a written employment contract shall be concluded. These laws and regulations govern the execution, performance, amendment, cancellation and termination of employment contracts and safeguard the rights and interests of the employees.

Pursuant to the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) (promulgated on 28 October 2010, implemented on 1 July 2011 and last amended and implemented on 29 December 2018), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) (promulgated and effective on 22 January 1999 and last amended and implemented on 24 March 2019), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法) (promulgated on 14 December 1994 and implemented on 1 January 1995), the Regulation on Work-Related Injury Insurance (工傷保險條例) (promulgated on 27 April 2003, implemented on 1 January 2004 and amended on 20 December 2010 and implemented on 1 January 2011), the Regulations on Unemployment Insurance (失業保險條例) (promulgated and implemented on 22 January 1999), the Regulation on the Administration of Housing Provident Funds (住房公積金管理條例) (promulgated and implemented on 3 April 1999 and last amended and implemented on 24 March 2019), employers in the People's Republic of China should make contributions to social insurance funds, including the basic pension insurance fund, basic medical insurance fund, occupational injury insurance fund, unemployment insurance fund and maternity insurance fund, and housing provident fund for their employees. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection institution shall order it to pay or make up the balance within a prescribed time limit, and shall impose a fine for delaying payment at the rate of 0.05% of the outstanding amount from the date of default; if still failing to pay within the prescribed time limit, a fine of one time to three times the amount in default will be imposed on the employers by the relevant administrative departments.

In addition, pursuant to the Administrative Regulations on the Work Safety of Construction works Projects (建設工程安全生產管理條例) (promulgated on 24 November 2003 and implemented on 1 February 2004), a construction entity must purchase accidental injury insurance for the workers engaged in dangerous works on the construction site for injuries suffered in work-related accidents, and the insurance premium will be paid by the construction entity. In the case of a construction work covered by a general contract, the insurance premium will be paid by the general contractor. The period covered by the insurance policies should commence on the starting date of the construction project and terminate on the date of the acceptance and inspection upon the completion of the project.

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Foreign investment

Establishment, operation and management of foreign-funded enterprises

Companies established and operated in the PRC are governed by the Company Law of the People's Republic of China (中華人民共和國公司法) (promulgated on 29 December 1993, implemented on 1 July 1994 and last amended and implemented on 26 October 2018). The requirements contained in the Company Law of the People's Republic of China in relation to establishment, organisation, activities and dissolution of a company shall also apply to foreign-invested limited liability companies and joint stock companies with limited liabilities, unless otherwise provided in laws on foreign investment in which case such provisions shall apply.

Requirements for establishment procedures, approval and filing procedures, registered capital and organisation of wholly foreign-owned enterprise have been made in the Law of the People's Republic of China on Wholly Foreign-owned Enterprises in China (中華人民共和國外資企業法) (promulgated and implemented on 12 April 1986 and last amended on 3 September 2016 and implemented on 1 October 2016), Rules For the Implementation of the Law of the People's Republic of China on Wholly Foreign-owned Enterprises in China (中華人民共和國外資企業法實施細則) (promulgated and implemented on 12 December 1990 and last amended on 19 February 2014 and implemented on 1 March 2014).

Pursuant to the Interim Measures for the Filing Administration of the Formation and Modification of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) (promulgated and implemented on 8 October 2016, and amended on 29 June 2018 and implemented on 31 June 2018), for establishment or changes of the foreign-invested enterprises which do not involve the special access management measures regulated by the state, filing shall be made through the integrated foreign investment management information system.

Investment by foreign investors and enterprises in the PRC are subject to the Catalog of Industries for Encouraged Foreign Investment (2019 Edition) and the Special Administrative Measures for the Access of Foreign Investment (Negative list) (2019 Edition) as jointly promulgated from time to time by the NDRC and the MOFCOM. Under these provisions, foreign invested projects are divided into the encouraged, the permitted, the restricted and the prohibited categories, and the PRC Government will review and update the Guidance Catalogue from time to time.

Pursuant to the Interim Provisions on Investment by Foreign-invested Enterprises in the PRC(關於外商投資企業境內投資的暫行規定) (promulgated on 25 July 2000, implemented on 1 September 2000 and last amended and implemented on 28 October 2015), Foreign-invested enterprises can invest in the encouraged and permitted projects but is not allowed to invest in the prohibited category.

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The Foreign Investment Law of the People’s Republic of China (中華人民共和國外商投資法) promulgated on 15 March 2019 and will implement on 1 January 2020 provides comprehensive regulation on investment activities conducted by foreign investors, directly and indirectly, within the PRC. Pursuant to the law, the state maintains a system of pre-entry national treatment plus a negative list management for foreign investment, namely the treatment given to foreign investors and their investment at the stage of investment admission shall be no less than that to domestic investors and their investments and special management measures shall be adopted for the admission of foreign investment in specific areas. The negative list is issued or approved by the State Council. Foreign investors shall not invest in the areas where investment is prohibited under the negative list for the admission of foreign investment. Foreign investors shall meet the conditions set forth in the negative list for the admission of foreign investment to invest in the areas where investment is restricted under the negative list. Management of foreign investment in the areas beyond the negative list shall be implemented in accordance with the principle of equality between domestic and foreign investment. After the implementation of this law, the Law of the People’s Republic of China on Sino-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法), and the Law of the People’s Republic on Sino-Foreign Contractual Joint Ventures (中華人民共和國中外合作經營企業法) shall be repealed simultaneously. Foreign-invested enterprises that have been established before the implementation of this Law in accordance with the aforesaid three laws may continue retaining their original forms of business organisations within five years after the implementation of this law.

Provisions on M&A

Pursuant to the Provisions on Mergers & Acquisitions of a Domestic Enterprise by Foreign Investors (關於外國投資者併購境內企業的規定) (promulgated on 8 August 2006 and implemented on 8 September 2006 and amended and implemented on 22 June 2009) (the “**M&A Provisions**”), mergers and acquisitions of domestic enterprises by foreign investors means (i) a foreign investor acquiring the equity interests in a domestic non-foreign-invested enterprise from its shareholder or subscribing its increased capital, so as to convert it into a foreign-invested enterprise; (ii) a foreign investor establishing a foreign-invested enterprise, so as to acquire the assets of a domestic enterprise through agreement and operates such assets; (iii) a foreign investor acquiring the assets of a domestic enterprise through agreement, so as to establish a foreign-invested enterprise with such assets as an investment and to operate such assets. When foreign investors establish a foreign-invested enterprise through mergers and acquisitions of domestic enterprises, they shall obtain approval from the approving authorities and handle the registration for changes or establishment at the registration administration authorities. According to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises, when foreign investors establish a foreign-invested enterprise through mergers and acquisitions of domestic enterprises, they shall file with the competent authorities on commerce.

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Dividend distribution

Pursuant to the Circular on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (關於執行稅收協定股息條款有關問題的通知), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax treaty needs to be entitled to such tax treaty treatment as being taxed at a tax rate specified in the tax treaty for the dividends paid by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax treaty.

According to the Announcement on Issuing the Administrative Measures on the Tax Treaties Treatment of Non-resident Taxpayers (關於發佈《非居民納稅人享受稅收協定待遇管理辦法的公告》) (promulgated on 27 August 2015, implemented on 1 November 2015 and amended and implemented on 15 June 2018), where a non-resident taxpayer who receives dividends from a PRC resident company would like to enjoy the preferential tax treatment under the tax treaties, such non-resident taxpayer shall submit the relevant reporting forms and documents by himself/herself when paying tax and reporting or through the tax withholder when withholding and reporting. If a non-resident taxpayer is qualified to enjoy the tax treaties treatment but has not enjoyed the same, and has paid more tax because of not enjoying the treatment, the non-resident taxpayer shall require to get refunded from the competent tax authorities by himself/herself or through the tax withholder in prescribed period. At the same time, such non-resident taxpayer shall submit relevant reporting forms and documents and description for making up the tax treatment.

Foreign exchange administration

Pursuant to the Regulation on Foreign Exchange Administration of the People's Republic of China (中華人民共和國外匯管理條例) (promulgated on 29 January 1996, implemented on 1 April 1996 and last amended and implemented on 5 August 2008), it is prohibited to circulate foreign currencies in the People's Republic of China or use foreign currencies for pricing or account settlement, unless otherwise stipulated by the PRC Government. The foreign exchange income and expenditure under the current items are not subject to approval when it shall be made on the basis of authenticity and lawfulness. Domestic institutions and individuals which have direct investments or are involved in the issue or transactions of priced securities or derivatives outside the PRC shall complete the registration as required by the foreign exchange administrative department of the State Council. Transactions that require approval by or filing with the competent authority of the State in advance must complete the necessary approval or filing procedures before registration of foreign exchange. The foreign exchange expenditure under the capital items shall be paid, in accordance with administrative provisions issued by the foreign exchange administrative department of the State Council of foreign exchange payment and foreign exchange purchase, with valid documents in their own foreign exchange or through purchasing foreign exchange from the institutions operating exchange settlement and sale business. If the relevant state provisions require that it shall be subject to approval of the foreign exchange administrative department, it should do so before exchange payment.

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

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

TAXATION

Income tax

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) (promulgated on 16 March 2007, implemented on 1 January 2008 and last amended and implemented on 29 December 2018) and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例) (promulgated on 6 December 2007 and implemented on 1 January 2008 and last amended and implemented on 23 April 2019), both PRC domestic companies and foreign-funded enterprises are subject to an enterprise income tax at the unified rate of 25%. Enterprises are classified into resident and non-resident enterprises. A resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside China at an enterprise income tax rate of 25%. A non-resident enterprise with institutions or establishments in the mainland of China shall pay

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enterprise income tax on its income derived from China as well as on income that it earns outside China but which has connection with the said institutions or establishments at an enterprise income tax rate of 25%. A non-resident enterprise with no office or establishment in the mainland China or whose income has no actual connection to its institution or establishment in the mainland China shall pay enterprise income tax on the income derived from China at an enterprise income tax rate of 10%.

The PRC-Hong Kong Tax Treaty

According to the Arrangement between Mainland China and Hong Kong SAR concerning Avoiding Double Taxation and Preventing Tax Evasion on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (promulgated and implemented on August 21 2006), a PRC resident enterprise that distributes dividend to its Hong Kong shareholders can be subject to enterprise income tax according to the PRC laws. However, if the beneficiary of the dividend is a Hong Kong tax resident that directly holds no less than 25% equity of the PRC dividend distributor, the tax levied shall not be more than 5% of the distributed dividend. If the beneficiary of the dividend is a Hong Kong tax resident that directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall not be more than 10% of the distributed dividend.

Value-added tax (VAT)

According to the Provisional Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) (promulgated on 13 December 1993, implemented on 1 January 1994 and last amended and implemented on 19 November 2017), the Implementation Rules for the Provisional Regulations of the People's Republic of China on Value-added Tax (promulgated on 18 December 2008 and implemented on 1 January 2009, amended on 28 October 2011 and implemented on 1 November 2011) and the Notice on Deepening the Policies Related to Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) issued by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs (promulgated on 20 March 2019 and implemented on 1 April 2019), all units and individuals engaged in sale of goods, processing services, repairs and replacement services, sales of intangible assets and immovable properties or import of goods within the PRC are subject to value-added tax at the tax rates of 13%, 9%, 6% and 0% based on the specific taxable items.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Programme of Replacing Business Tax with Value-Added Tax in an All-round Manner (財政部、國家稅務總局關於全面推開營業稅改增值稅試點的通知) (promulgated on 23 March 2016 and implemented on 1 May 2016 and amended on 25 December 2017 and implemented on 1 January 2018) and the Notice of the Ministry of Finance and the State Administration of Taxation on the Policies on Construction Services and Other Items during the Period of the Pilot Programme of Replacing Business Tax with Value-Added Tax (財政部、國家稅務總局關於建築服務等營改增試點政策的通知) (promulgated on 11 July 2017 and implemented on 1 July 2017), where a general contractor of construction project provides engineering services for the ground and foundation and main structures of housing buildings, and the project owner purchases on its own all or part of the steel, concrete, masonry material and prefabricated components, the simple tax computation method shall apply. Where a taxpayer provides construction services by means of prepayment, the VAT shall,

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at the time of receipt, be paid based on the balance after deducting the subcontracting payment from the prepayment received at the withholding rate as prescribed in the Notice. For a project that is required to prepay the VAT at the place where the construction services is provided, the taxpayer shall prepay the VAT at the place where the construction services is provided at the time of receiving the prepayment; for a project that is not required to prepay the VAT at the place where the construction services is provided, the taxpayer shall prepay the VAT at the place where it locates at the time of receiving the prepayment. The withholding rate for a project that is subject to the general tax computation method is 2% and that for a project that is subject to the simple tax computation method is 3%.

City maintenance and construction tax

According to Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例) (promulgated on 8 February 1985 and implemented on 1 January 1985 and amended and implemented on 8 January 2011), all entities and individuals who are obliged to consumption tax, VAT and business tax shall pay the city maintenance and construction tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town and 1% for a taxpayer whose domicile is not in any urban area, county or town.

Education surcharges

According to Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定) (promulgated on 28 April 1986 and implemented on 1 July 1986 and last amended and implemented on 8 January 2011), entities and individuals obliged to pay consumption tax, VAT and business tax shall pay educational surcharges under these Provisions, except for entities paying additional charges for rural education. The rate for education surcharges shall be 3%.

INTELLECTUAL PROPERTY

Patents

Pursuant to the Patent Law of the People's republic of China (中華人民共和國專利法) (promulgated on 12 March 1984 and implemented on 1 April 1985 and last amended on 27 December 2008 and implemented on 1 October 2009) and the Regulations on the Implementation of the Patent Law of the People's Republic of China (中華人民共和國專利法實施細則) (promulgated on 19 January 1985 and implemented on 1 January 1993 and last amended on 9 January 2010 and implemented on 1 February 2010), the patent administration department under the State Council is responsible for the patent work nationwide. The administrative authorities of patent affairs under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government are responsible for the administrative work concerning patents within their respective administrative areas. The PRC patent system adopts the principle of first come, first file, which means where more than one person file a patent application for the same invention, the patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet the three criteria of novelty, inventiveness and practicability. Invention patents are valid for twenty years, while utility model patents and design patents are valid for ten years, commencing from the date of application. The patentee shall pay annual fees

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commencing from the year when the parent right is granted. If the patentee doesn't pay annual fees according to the requirements, the patent will be terminated prior to its expiry. After the grant of the patent for an invention or utility model, except where otherwise provided for in the Patent Law of the People's Republic of China, no entity or individual may, without the authorisation of the patentee, exploit the patent, that is, manufacture, offer to sell, sell or import the products using the patent, for production or business purposes. After the grant of the design patent, no entity or individual may, without the authorisation of the patentee, exploit the patent, that is, manufacture, offer to sell, sell or import the products using the design patent, for production or business purposes. If an infringement is considered to be established, the infringer shall be ordered to stop the infringing act, take remedial action and compensate for the damage.

Trademarks

Pursuant to the Trademark Law of the People's Republic of China (中華人民共和國商標法) promulgated on 23 August 1982 and implemented on 1 March 1983 and last amended on 23 April 2019 and will be effective from 1 November 2019) and the Regulation for the Implementation of the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例) (promulgated on 3 August 2002 and implemented on 15 September 2002 and last amended on 29 April 2014 and implemented on 1 May 2014), the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to commodities for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. If a trademark registrant wishes to use a trademark after the expiration of the duration of the trademark registration, according to the requirements, a registration renewal application should be filed within twelve months prior to the expiration. Each registration renewal is valid for ten years. Using a trademark that is identical with a registered trademark on the same commodities without the licensing of the registrant of the registered trademark; or using a trademark that is similar to a registered trademark on the same commodities, or using a trademark that is identical with or similar to the registered trademark on similar commodities without the licensing of the registrant of the registered trademark, which is likely to cause confusion; selling commodities that infringe upon the exclusive right to use a registered trademark; forging, manufacturing a registered trademark which was registered by others without authorisation, or selling a registered trademark forged or manufactured without authorisation; changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; providing, intentionally, convenience for activities infringing upon others' exclusive right to use a registered trademark, and facilitating others to commit infringement on the exclusive right to use a registered trademark, constitutes an infringement of the exclusive right to use a registered trademark. The infringer must undertake to cease the infringement, take remedial action and pay damages. The infringer also may be subject to fines or even criminal punishment.

REGULATORY OVERVIEW

Domain names

Pursuant to the Administrative Measures on Internet Domain Names issued by the Ministry of Industry and Information Technology (中國互聯網域名管理辦法) (promulgated on 24 August 2017 and implemented on 1 November 2017), the Ministry of Industry and Information Technology is in charge of the administration of PRC Internet domain names. The telecommunication administration authorities of all provinces, autonomous regions, municipalities directly under the central government shall be responsible for supervision and management of the domain name services within their respective administrative regions. The setting-up of domain name root servers and the establishment of operation institution of domain name root servers, the administrative agencies of domain name registration and the service institution of domain name registration within the PRC must obtained relevant approvals from the Ministry of Industry and Information Technology of the PRC or the communication administrations at the levels of provinces, autonomous regions and the municipalities directly under the central government.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our History

We are a leading and fast-growing construction services provider based in Fujian Province which specialises in offering one-stop solutions in foundation works. Our founder, Mr. Xun MH, who was educated in Anhui Province, established our major operating subsidiary, Jianzhong Construction Technology in Fujian Province in 2012. We started off as a company with focus on the trading and leasing of construction machinery, equipment and tools in Fujian Province in 2012 because Mr. Xun MH was of the view that there was considerable potential in the construction market in Fujian Province. Since 2016, we have integrated our experience in the construction machinery, equipment and tools leasing business into our construction business which has led to us providing a wide spectrum of construction works service. During the Track Record Period, ancillary to our construction works service, we also provided (i) leasing of construction machinery, equipment and tools; (ii) sewage treatment services; and (iii) sales of construction materials and equipment and others. According to the F&S Report, we were the largest foundation works subcontractor in Fujian Province and the third largest non-state owned foundation works subcontractor in the PRC in terms of revenue in 2018. Please see “Business” for further details.

In December 2016, Jianzhong Construction Technology was listed on the NEEQ and de-listed from the NEEQ in August 2018. Please see “Listing on the NEEQ” and “Delisting from the NEEQ” below for further details.

For the purpose of the [REDACTED], our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 5 February 2019. As a result of the Reorganisation, our Company has become the holding company of our various subsidiaries.

Our Development

Our Directors are of the view that our historical fast-growing trend, especially regarding the provision of construction services and particularly foundation works, can be attributed to the following factors:

(i) Growth in the foundation works market in the PRC

According to the F&S Report, between 2013 to 2018, the construction industry in the PRC experienced steady growth which was primarily attributable to the strong performance of the infrastructure and real estate sectors. As such, revenue of the foundation works market in the PRC increased from RMB2.3 trillion in 2013 to RMB3.1 trillion in 2018, representing a CAGR of 6.4% between 2013 to 2018.

The growth of fixed asset investments in the PRC, in particular the real estate sector, has been a major factor underpinning the rapid development of the construction industry recently. According to the National Bureau of Statistics of China, real estate investment in 2018 reached RMB12.0 trillion, representing a CAGR of 6.9% from 2013 to 2018. In addition, the Political Bureau of the Communist Party of China (CPC) Central Committee reiterated that housing is for living, not speculation, and emphasised the creation of a long-term mechanism of the real estate market, which further promotes the stable development of the property market in the PRC. Thus, the increasing investment in the real estate sector has directly driven the growth of the foundation works market in the PRC.

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Besides, according to the National Bureau of Statistics of China, the urbanisation rate of the PRC reached 59.5% in 2018. “National Plan of New-type Urbanisation (2014–2020)” (國家新型城鎮化規劃(2014–2020年)) has also stated that the urban population is forecasted to reach 60.0% by 2020.

In order to cater for the rapid urban development, the PRC Government has increased its investment on infrastructure projects, such as subway systems, roads and bridges, and river construction, in different cities. According to the NDRC, the number of infrastructure development projects in 2018 recorded annual growth rate of 5.3%. Moreover, the “Belt and Road” Initiative, which seeks to increase connectivity and international cooperation across Asia, Europe and Africa, has also promoted the development of infrastructure, such as highways, railways and harbours, to support this policy.

(ii) Growth in the foundation works market in Fujian Province

Driven by the rapid economic development of Fujian Province, the market demand for foundation works in Fujian Province has experienced a rapid growth in recent years. Between 2013 to 2018, the market size of the foundation works market in Fujian Province increased from RMB76.1 billion in 2013 to RMB139.6 billion in 2018, representing a CAGR of 12.9%.

In particular, Fujian Province has actively developed its infrastructure in order to coordinate with the national policy direction, such as the “Belt and Road” Initiative, and also to cope with rapid economic growth. The Fujian Provincial Department of Transportation (福建省交通運輸廳) has commissioned eight major construction works projects for the coming years which are composed of 38 highways, five inland water transport, 90 ocean transport and 30 transportation hubs. Along with such infrastructure development, buildings for residential and commercial use in neighbouring areas are also expected to increase and further push the demand for foundation works in Fujian Province. Moreover, in 2016, the Fujian provincial government published “Outline of the 13th Five-Year Plan for Housing and Urban-Rural Construction in Fujian Province” (福建省住房和城鄉建設事業“十三五”規劃綱要) which required urban area redevelopment and reform in Fujian Province, such as shanty area renovation, between 2016 to 2020.

Besides, relying on its surging economy and solid industrial base, Fujian Province is now among the top investment destinations for foreign enterprises in various sectors, including electronic information, machinery equipment and petrochemicals. To attract more investment, the Fujian provincial government has improved infrastructure, especially transportation systems. For example, it has constructed an advanced high-speed railway system allowing some 95.0% of the province’s counties to soon have access to high-speed rail stations within a half-hour drive. The province now has three big ports – Xiamen, Fuzhou and Meizhouwan – and each has cargo throughput of 100 million tons or more. There are 325 container routes in all ports in the province. With airports in Fuzhou, Xiamen, Wuyishan, Jinjiang and Liancheng, the number of domestic and international airlines operating in the province reached 218 in 2018. Fujian Province recorded continued increase in inflow of foreign direct investment, from USD6.68 billion in 2013 to USD8.58 billion in 2017, representing a CAGR of 6.5%. To encourage sustainable and healthy private investment, the central government has rolled out a number of attractive projects in sectors like rail, civil aviation, oil and natural gas and telecommunications, whilst the public-private partnership (PPP) model was extended to more areas in a well-regulated and orderly fashion.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(iii) Established network with different personnel and strong customer base as a result of our founder’s extensive experience in the construction industry in the PRC

Our founder, Mr. Xun MH, has over 26 years of experience in the PRC construction industry. He accrued nearly a decade of industry experience during his employment at a prominent cement producer and supplier in the PRC, Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 914). Upon accumulating sufficient experience and adequate expertise, Mr. Xun MH started his own business and established companies engaging in various types of services in the construction industry. Please see “Directors and Senior Management — Directors — Executive Directors” for further details of Mr. Xun MH’s work experience.

Through his years of experience in the construction industry, Mr. Xun MH has established network with different personnel in the construction industry. Besides, Mr. Xun MH also got acquainted with various construction enterprises and contractors in Fujian Province. As such, leveraging on such network as well as his own working experience, Mr. Xun MH has gained a better understanding for cooperating and working with large scale construction companies and how to effectively manage and operate projects, which could be replicated to the construction works projects undertaken by us.

In view of all of the above, we have captured the emerging business opportunity by undertaking more construction works projects during the Track Record Period. We have obtained multiple qualifications such as first class professional contractor in foundation engineering works qualification — (地基基礎工程專業承包一級資質) and we undertook our first construction works project in 2016 with a contract sum of approximately RMB37.4 million. During the Track Record Period, we have grown into a one-stop solutions provider in foundation works in the PRC and distinguish ourselves from traditional foundation works companies by our emphasis on (i) R&D; (ii) possession of an extensive fleet of construction machinery, equipment and tools; and (iii) our production base. Please see “Business” for further details of our business during the Track Record Period.

Business Milestones

Key milestones in our history up to the present are as follow:

Year	Events
2012	Jianzhong Construction Technology was established with focus on the trading and leasing of construction machinery, equipment and tools
2014	We obtained third class professional contractor in lifting equipment installation works qualification (起重設備安裝工程專業承包三級資質)
2016	We were listed on the NEEQ We obtained (i) third class professional contractor in foundation engineering works qualification (地基基礎工程專業承包商三級資質); (ii) the professional contractor for template and scaffold works qualification (模板腳手架專業承包不分等級資質); and second class professional contractor in lifting equipment installation works qualification (起重設備安裝工程專業承包二級資質) and commenced our construction work business

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Events
2017	<p>We obtained the (i) second class professional contractor in foundation engineering works qualification (地基基礎工程專業承包二級資質); (ii) third class main contractor in municipal and public construction works qualification (市政公用工程施工總承包三級資質); (iii) third class professional contractor for building mechanical and electrical projects qualification (建築機電工程專業承包三級資質) and; (iv) third class professional contractor in steel structure construction works qualification (鋼結構工程專業承包三級資質)</p> <p>We were awarded as Fujian Provincial Scientific and Technological Enterprise (福建省科技型企業) by Fujian Province Science and Technology Commission (福建省科學技術廳)</p>
2018	<p>We obtained the (i) first class professional contractor in foundation engineering works qualification (地基基礎工程專業承包一級資質); (ii) first class professional contractor in lifting equipment installation works qualification (起重設備安裝工程專業承包一級資質); and (iii) second class professional contractor for building mechanical and electrical installation projects qualification (建築機電安裝工程專業承包二級資質).</p> <p>We were evaluated as Grade B in the Expert Evaluation of the Non-excavation “Pipe Jacking Tunnel” Special Construction Capability Certification (非開挖“頂管隧道”專項施工能力認證專家組評審) by the China Geological Society Non-excavation Technology Committee (中國地質學會非開挖技術專業委員會)</p> <p>We were awarded as Fujian Province Science and Technology Small Giant Enterprise (福建省科技小巨人領軍企業) by the relevant authorities in Fujian Province</p> <p>We were awarded as China Top 10 Foundation Construction Company (Non-State Owned) (中國基礎施工企業十強) (非國有) by the Organising Committee of T50 Summit of World Construction Machinery Industry (全球工程機械產業大會暨50強峰會組委員) and China Construction Machinery Magazine (中國工程機械雜誌)</p> <p>We became a standing corporate council member (常務理事單位) of China Geological Society Non-excavation Technology Committee (中國地質學會非開挖技術專業委員會)</p> <p>We established our subsidiary, Anhui Jianrun, in Anhui Province to extend our footprint in the Yangtse River Delta Megalopolis</p>
2019	<p>We obtained third class main contractor in general construction works qualification(建築工程施工總承包三級資質)</p> <p>We established our subsidiary, Guangdong Haizhijian Engineering, in Guangdong Province to extend our footprints in Pan Pearl River Delta Megalopolis</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

ESTABLISHMENT AND MAJOR CHANGES CONCERNING OUR COMPANY AND THE MAJOR OPERATING SUBSIDIARY OF OUR COMPANY

Our Company has a number of direct and indirect subsidiaries incorporated or established in the BVI, Hong Kong and the PRC. Further information of our operating subsidiaries and their respective corporate history is set forth below. We underwent certain Reorganisation steps for the purpose of the [REDACTED], further information of which is set forth in the paragraph “Reorganisation” below.

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 February 2019. For details of changes in the share capital of our Company, please see “Statutory and General Information — Further information about our Group — Changes in authorised and issued share capital of our Company” in Appendix IV to this document. As a result of the Reorganisation, our Company became the holding company of our Group.

Our major operating subsidiary in the PRC

Jianzhong Construction Technology

We primarily conduct our business in the PRC through our operating subsidiary, being Jianzhong Construction Technology.

(i) Establishment

Jianzhong Construction Technology was established in the PRC on 5 December 2012, under the name of Fujian Jianzhong Construction Machinery Leasing Co., Ltd. (福建省建中建築機械租賃有限公司), as a limited company with an initial registered capital of RMB5,000,000. At the time of its establishment, Mr. Xun MH was the beneficial owner of the then entire interest in Jianzhong Construction Technology, with 75.0% equity interest being held by Ms. Zheng on trust for Mr. Xun MH and the remaining equity interest being held by Mr. Ni on trust for Mr. Xun MH (collectively the “Trust Arrangements”). Ms. Zheng is our Executive Director and Mr. Ni is one of our senior management. Each of Ms. Zheng and Mr. Ni is a shareholder of JingH Investment BVI. Please see “Directors and Senior Management” for further details of Ms. Zheng and Mr. Ni.

Such Trust Arrangements were established since, at the material time, Mr. Xun MH already wholly-owned another company with limited liability in the PRC. Under the then PRC Company Law, a natural person was allowed to establish only one limited liability company with a single equity holder, and such limited liability company could not establish any wholly-owned subsidiaries. Therefore, in order to retain flexibility in the ownership of his other businesses, Mr. Xun MH executed the Trust Arrangements with Ms. Zheng and Mr. Ni who were considered by Mr. Xun MH as the appropriate persons to be his trustees as they have been trusted persons since their acquaintance. As advised by our PRC Legal Advisers, since the establishment of the Trust Arrangements and up to the unwinding thereof as stated below, the Trust Arrangements were legal and enforceable.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(ii) Early Corporate Development

There had been a series of capital increases and equity transfers in Jianzhong Construction Technology after its establishment.

In September 2013, the registered capital of Jianzhong Construction Technology was increased from RMB5,000,000 to RMB15,000,000. The additional registered capital was contributed as to RMB7,500,000 by Ms. Zheng and RMB2,500,000 by Mr. Ni, respectively. Pursuant to the Trust Arrangements, the entire amount of the capital contribution was made by the de facto controller, Mr. Xun MH. Upon completion of the aforesaid increase in the registered capital, Mr. Xun MH remained to be the beneficial owner of the then entire equity interest in Jianzhong Construction Technology, of which 75.0% and 25.0% equity interest were held by Ms. Zheng and Mr. Ni, respectively, on trust for Mr. Xun MH.

In December 2015, Mr. Xun MH entered into separate equity transfer agreements with Ms. Zheng and Mr. Ni, respectively, pursuant to which Ms. Zheng and Mr. Ni transferred 75.0% and 15.0% equity interest in Jianzhong Construction Technology, respectively, to the then beneficial owner, Mr. Xun MH. Upon completion of such equity transfer, Mr. Xun MH remained to be the beneficial owner of the then entire equity interest in Jianzhong Construction Technology, and became the legal owner of 90.0% in the equity interest with the remaining 10.0% equity interest being held by Mr. Ni on trust for Mr. Xun MH.

In January 2016, Mr. Ni (acting as trustee of Mr. Xun MH) and Jianzhong Investment Partnership entered into an equity transfer agreement, pursuant to which Mr. Ni transferred his remaining 10.0% equity interest in Jianzhong Construction Technology to Jianzhong Investment Partnership at the proportional amount of the relevant registered capital under transfer, i.e. RMB1,500,000. Upon completion of such equity transfer, Jianzhong Construction Technology was owned as to 90.0% by Mr. Xun MH and 10.0% by Jianzhong Investment Partnership, respectively. Jianzhong Investment Partnership is a limited partnership established in the PRC on 14 January 2016.

As a result of the equity transfers in December 2015 and January 2016, the Trust Arrangements were unwound. In relation to the equity transfers, since the consideration was not determined with reference to the net asset value at the material time, the relevant parties, i.e. Ms. Zheng and Mr. Ni, may be required by the relevant tax authority to pay back any additional profit tax. In this connection, Mr. Xun MH [has] undertaken to indemnify our Group for any additional tax and/or penalty incurred by our Group in connection with the Trust Arrangements and the unwinding thereof (if any).

In March 2016, the registered capital of Jianzhong Construction Technology was further increased from RMB15,000,000 to RMB35,000,000. The additional registered capital was contributed as to RMB18,000,000 by Mr. Xun MH and RMB2,000,000 by Jianzhong Investment Partnership. Upon completion of the aforesaid registered capital increase, Jianzhong Construction Technology remained to be owned as to 90.0% by Mr. Xun MH and 10.0% by Jianzhong Investment Partnership, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(iii) Listing on the NEEQ

In preparation for the listing on the NEEQ, on 26 July 2016, Jianzhong Construction Technology was converted into a joint stock company, with its net assets converted into 35,000,000 issued shares at a nominal value of RMB1.00 each attributable to the then shareholders in proportions to their original shareholding. On 20 December 2016, Jianzhong Construction Technology was listed on the NEEQ with the stock code 870054.

In November 2017, the issued share capital of Jianzhong Construction Technology was increased from RMB35,000,000 to RMB111,000,000. The additional issued share capital was subscribed by Mr. Xun MH. Upon completion of the aforesaid increase in issued share capital, Jianzhong Construction Technology was owned as to 96.85% by Mr. Xun MH and 3.15% by Jianzhong Investment Partnership, respectively.

During the period of the listing on the NEEQ, Jianzhong Construction Technology did not publish its 2017 annual report and summary of the 2017 annual report (collectively the “**Announcements**”) on time after the end of financial year 2017 (the “**Incident**”). Jianzhong Construction Technology has published the Announcements to the information disclosure platform on the NEEQ system on 19 June 2018. As a result of such Incident, the NEEQ issued a decision letter to Jianzhong Construction Technology for self-enhanced regulatory measures (自律監管措施決定書) (the “**Decision Letter**”) on 10 May 2018.

As confirmed by our Directors, the Incident was mainly due to a power outage of State Grid Fuzhou Electric Power Supply Company on 27 November 2017. On 29 March 2018, Fujian Zhongzheng Judicial Identification Centre (福建中證司法鑒定中心) confirmed that as a result of such power outage, the server in which our Group’s warehouse system was installed could no longer function and certain warehouse data of 2017 which was saved in such system could not be recovered. Considering that we could not retrieve the warehouse data of 2017 from the server and the amount of time required to re-input such data, we were not able to publish the Announcements in a timely manner.

As at the Latest Practicable Date, we are not aware of any ongoing investigation, penalty or punishment by the NEEQ in relation to the Incident subsequent to the receipt of the Decision Letter.

As advised by our PRC Legal Advisers, the Incident is immaterial and did not result in any further penalties or punishment by the NEEQ after receipt of the Decision Letter. Jianzhong Construction Technology had been in compliance with applicable PRC securities laws and regulations in all other material respects during the period of its listing on the NEEQ.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(v) *Delisting from the NEEQ*

In 2018, the then directors of Jianzhong Construction Technology considered to delist from the NEEQ as they were of the view that the delisting from the NEEQ and [REDACTED] on the Stock Exchange would be in the interests of our business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

- (1) the NEEQ is a market in the PRC open to qualified investors only. In addition, the NEEQ adopts a market maker, negotiated transfer or investor competing transfer trading mechanism rather than continuous auction mechanism, which significantly limits investor discovery and order execution;
- (2) in contrast, the Stock Exchange, as a leading player of the international financial markets, could offer us direct access to the international capital markets, enhance our fund-raising capabilities and channels and broaden our shareholder base. The potential to join the Shanghai and Shenzhen Stock Connect programmes between mainland China and Hong Kong would also allow mainland investors, who are more familiar with our business and operation, to [REDACTED] in us through such programmes after the [REDACTED]. Accordingly, the [REDACTED] would provide us a viable source of capital to support our business growth;
- (3) the [REDACTED] would also enable our Company to establish an attractive share incentive plan, which correlates directly to the performance in our Group's business, which in turn would help us to attract and motivate the talents needed to support our rapid growth and enhance our operating efficiency on an ongoing basis;
- (4) a [REDACTED] on the Stock Exchange will further raise our business profile and thus, enhance our ability to attract new customers, business partners and strategic investors and attain greater access to international investors, as well as to recruit, motivate and retain key management personnel for our Group's business; and
- (5) having considered the experience of [REDACTED] on the Stock Exchange of the [REDACTED] Investor, our Directors (including the representative from the [REDACTED]) consider that the [REDACTED] would be in the best interests of our Company and Shareholders as a whole.

Therefore, on 30 July 2018, the then shareholders of Jianzhong Construction Technology resolved to apply for the de-listing of Jianzhong Construction Technology from the NEEQ and on 28 August 2018, it was de-listed from the NEEQ. Immediately following the de-listing, the shareholding structure of Jianzhong Construction Technology remained to be owned as to 96.85% and 3.15% by Mr. Xun MH and Jianzhong Investment Partnership, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(vi) Recent Corporate Development

In December 2018, the issued share capital of Jianzhong Construction Technology was increased from RMB111,000,000 to RMB148,000,000. The additional issued share capital was subscribed by the [REDACTED]. Upon completion of the aforesaid increase in issued share capital, Jianzhong Construction Technology was owned as to 72.64% by Mr. Xun MH, as to 2.36% by Jianzhong Investment Partnership and as to 25.00% by the [REDACTED], respectively. Please see “[REDACTED]” below for further details.

In February 2019, the issued share capital of Jianzhong Construction Technology was further increased from RMB148,000,000 to RMB168,450,000. The additional issued share capital was contributed as to RMB16,825,600 by Furi Investment Partnership and as to RMB3,624,400 by JingH Investment Partnership. Upon completion of the aforesaid increase in issued share capital and immediately prior to the Reorganisation, Jianzhong Construction Technology was owned as to 63.82% by Mr. Xun MH, as to 2.08% by Jianzhong Investment Partnership, as to 21.96% by the [REDACTED], as to 9.99% by Furi Investment Partnership and as to 2.15% by JingH Investment Partnership, respectively.

In February 2019, Jianzhong Construction Technology was transformed from a joint stock company to a limited liability company.

Our other onshore subsidiaries in the PRC

Set out below are certain details of our other onshore subsidiaries which were all established in the PRC as at the Latest Practicable Date:

Company name	Date of establishment	Registered capital as at the Latest Practicable Date	Principal business activities	Equity interest holder as at the Latest Practicable Date (Percentage of equity interest)	Proportion of interest attributable to our Group
Jianzhong Logistic	24 January 2017	RMB50 million	Provision of goods and transportation services	Jianzhong Construction Technology: (100%)	100%
Jianzhong Technology (Pingtan)	7 August 2017	RMB15 million	Investment holding	Jianzhong Construction Technology: (100%)	100%
Jianzhong Engineering Equipment	27 October 2017	RMB30 million	Production, sale, installation and leasing of construction machinery, equipment and tools and construction material	Jianzhong Construction Technology: (100%)	100%
Jianzhong Environmental Technology	18 January 2018	RMB50 million	Provision of sewage treatment services	Jianzhong Construction Technology: (100%)	100%
Anhui Jianrun	15 May 2018	RMB35 million	Investment holding	Jianzhong Construction Technology: (100%)	100%
Guangdong Haizhijian Engineering	7 January 2019	RMB30 million	Investment holding	Jianzhong Construction Technology: (100%)	100%
Jianzhong WOFE	22 March 2019	HK\$60 million	Investment holding	Jianzhong Holdings (Hong Kong): (100%)	100%
Jianzhong Investment Consultancy	1 April 2019	RMB10,101,000	Investment holding	Jianzhong WOFE: (100%)	100%

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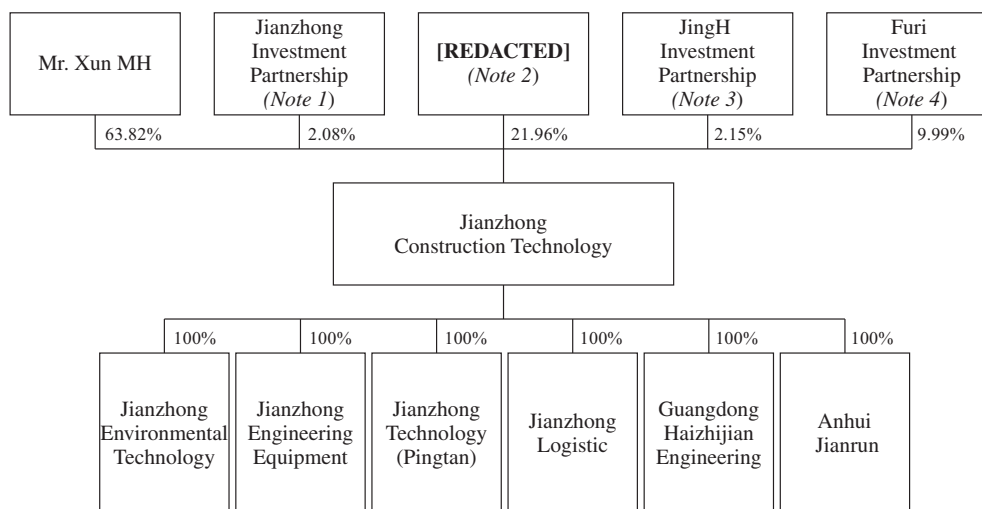
Our offshore subsidiaries in the BVI and Hong Kong

Our Group also has two offshore investment holding companies in the BVI and Hong Kong as at the Latest Practicable Date:

Company name	Place of incorporation	Date of incorporation	Principal business activities	Proportion of interest attributable to our Group
Jiangzhong Holdings BVI	BVI	18 February 2019	Investment holding	100%
Jiangzhong Holdings (Hong Kong)	Hong Kong	25 February 2019	Investment holding	100%

REORGANISATION

The following chart sets forth our Group’s corporate and shareholding structure immediately before the Reorganisation:



Notes:

- Immediately before the Reorganisation, Jianzhong Investment Partnership was beneficially owned as to 75.31% by Mr. Xun MH, 5.71% by Mr. He Wenlin (何文林), 5.71% by Bao Xiehe (鮑協和), 5.71% by Mr. Ni, 1% by Ms. Zheng, 1% by Yan Longyu (嚴龍玉), 1% by Bao Ruizhi (鮑瑞知), 1% by Zhang Peng (張鵬), 1% by Chen Guozhan (陳國占), 1% by Yan Meiyun (嚴玫雲), 1% by Du Aiguo (杜愛國), 0.28% by Guan Xiuqin (官秀琴) and 0.28% by Fu Bing (付兵).
- Please see “[REDACTED]” below for further details of the [REDACTED].
- Immediately before the Reorganisation, JingH Investment Partnership was beneficially owned as to 5.52% by Huang Kongming (黃孔銘), 5.52% by Zhang Houji (張後繼), 5.52% by Ni Xingtai (倪行泰), 5.52% by Lei Dedian (雷德佃), 5.52% by Xun Minghuo (荀名火), 5.52% by Zhan Xianming (詹先明), 5.52% by Ms. Feng Rongmei (奉榮美), 4.69% by Xun Liangjin (荀良金), 4.55% by Ms. Zheng, 4.55% by Yan Longyu (嚴龍玉), 4.55% by Bao Ruizhi (鮑瑞知), 4.55% by Zhang Peng (張鵬), 4.55% by Chen Guozhan (陳國占), 2.76% by Feng Chuanliang (馮傳亮), 2.76% by Liang Fangbin (梁方斌), 2.76% by Shao Yonghui (邵永輝), 2.48% by Pan Benfu (潘本富), 2.20% by Lin Jian (林健), 2.18% by Guan Xiuqin (官秀琴), 2.07% by Ou Ran (歐冉), 2.07% by Yan Meiyun (嚴玫雲), 1.85% by Chen Zhongbin (陳忠斌), 1.66% by Chen Manling (陳曼玲), 1.66% by Wan Xiang (萬翔), 1.60% by Zhou Honglin (周洪林), 1.38% by Yang Huafeng (楊化鳳), 1.38% by Huang Xuejun (黃學軍), 1.38% by Xia Yufan (夏于凡), 1.38% by Chen Jianmin (陳劍敏), 1.24% by Du Aiguo (杜愛國) and 1.11% by Fu Bing (付兵).
- Immediately before the Reorganisation, Furi Investment Partnership was beneficially owned as to 42.013% by Mr. Xun LB, 10.668% by Song Yefei (宋業飛), 8.321% by Wang Yu (王語), 4.16% by Zheng Shunying (鄭順英), 4.623% by Wang Yuhang (王宇航), 3.566% by Liu Quanmei (劉權美), 3.302% by Wu Guifang (吳桂芳), 2.972% by Xu Huamin (徐華閏), 2.674% by Gao Chaohui (高朝暉), 2.645% by Jiang Yun (姜筠), 2.377% by Chen Rong (陳蓉), 1.308% by Cai Zhouhong (蔡周紅), 1.189% by Jiang Yunsong (蔣雲松), 1.189% by Su Bindefeng (蘇彬楓), 1.189% by Chen Yingyan (陳穎豔), 1.189% by Sun Yong (孫勇), 1.189% by Jiang Xiaoying (江曉英), 1.189% by Fan Daqing (范大慶), 0.792% by Li Yan (李岩), 0.594% by Li Minghua (李明華), 0.594% by Wu Xiaoqin (吳小勤), 0.594% by Lin Jinjin (林矜矜), 0.297% by Zha Ti (查媿), 0.475% by Wu Yanming (吳燕明), 0.297% by Huang Yongkui (黃永魁), 0.297% by Liu Jiepin (劉捷頻) and 0.297% by Mr. Chen Wanfu (陳萬付).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In preparation for the [REDACTED] and in order to streamline our corporate structure, we underwent the following Reorganisation.

Incorporation of offshore holding companies of our Company

On 31 January 2019, MHX Investment BVI was incorporated in the BVI as a company with limited liability with an authorised share capital of 50,000 shares of a single class with a par value of US\$1.00 each, and one share was allotted and issued, credited as fully paid, to Mr. Xun MH.

On the same day, CV Construction BVI was incorporated in the BVI as a company with limited liability with an authorised share capital of 50,000 shares of a single class with a par value of US\$1.00 each, and one share was allotted and issued, credited as fully paid, to Conch Venture Development.

On the same day, Furi Investment BVI was incorporated in the BVI as a company with limited liability with an authorised share capital of 50,000 shares of a single class with a par value of US\$1.00 each, and 10,000 shares were allotted and issued, credited as fully paid, to Furi Shareholders, comprising 27 shareholders.

On the same day, JingH Investment BVI was incorporated in the BVI as a company with limited liability with an authorised share capital of 50,000 shares of a single class with a par value of US\$1.00 each, and 10,000 shares were allotted and issued, credited as fully paid, to JingH Shareholders, comprising 35 shareholders.

Incorporation of our Company

On 5 February 2019, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of a par value of HK\$0.01 each.

On the same day, one Share was allotted and issued, credited as fully paid, to the initial subscriber, and was subsequently transferred to MHX Investment BVI, the offshore holding company wholly-owned by Mr. Xun MH. Our Company also allotted and issued an aggregate of 9,999 Shares, credited as fully paid, to the offshore holding companies as listed below. Upon completion of the said allotment, issuance and transfer, the shareholding structure of our Company is set out as below:

Name of Shareholders	Number of Shares	Approximate Percentage of Shareholding
MHX Investment BVI	6,382	63.82%
CV Construction BVI	2,196	21.96%
Furi Investment BVI	999	9.99%
JingH Investment BVI	423	4.23%
Total	10,000	100%

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of offshore subsidiaries

On 18 February 2019, Jianzhong Holdings BVI was incorporated in the BVI as a wholly-owned subsidiary of our Company.

On 25 February 2019, Jianzhong Holdings (Hong Kong) was incorporated in Hong Kong as a wholly-owned subsidiary of Jianzhong Holdings BVI.

Establishment of onshore subsidiaries

On 22 March 2019, Jianzhong WOFE was established in the PRC as a wholly-foreign-owned enterprise with an initial registered capital of HK\$60.0 million. Since its establishment and up to the Latest Practicable Date, it has been a wholly-owned subsidiary of Jianzhong Holdings (Hong Kong).

On 1 April 2019, Jianzhong Investment Consultancy was established in the PRC with an initial registered capital of RMB10.0 million. As at the date of its establishment, it was a wholly-owned subsidiary of Jianzhong WOFE.

Transfer of equity interest in Jianzhong Construction Technology

On 7 May 2019, Mr. Xun MH, [REDACTED], Furi Investment Partnership, JingH Investment Partnership, Jianzhong Investment Partnership and Jianzhong Investment Consultancy entered into an equity transfer agreement, pursuant to which Mr. Xun MH, [REDACTED], Furi Investment Partnership, JingH Investment Partnership and Jianzhong Investment Partnership transferred their respective equity interest, in aggregate 100% equity interest in Jianzhong Construction Technology with reference to the net asset value of Jianzhong Construction Technology as at 30 June 2018 to Jianzhong Investment Consultancy in exchange for an additional registered capital of RMB101,000, representing an aggregate of 1.0% additional equity interest, i.e. 0.6382%, 0.2196%, 0.0999%, 0.0215% and 0.0208%.

Upon completion of the aforesaid transfer of equity interest, (i) Jianzhong Construction Technology became a wholly-owned subsidiary by Jianzhong Investment Consultancy; and (ii) Jianzhong Investment Consultancy was held as to 99% by Jianzhong WOFE, as to 0.6382% by Mr. Xun MH, as to 0.2196% by the [REDACTED], as to 0.0999% by Furi Investment Partnership, as to 0.0215% by JingH Investment Partnership and as to 0.0208% by Jianzhong Investment Partnership.

Transfer of equity interest in Jianzhong Investment Consultancy

On 16 May 2019, Mr. Xun MH, the [REDACTED], Furi Investment Partnership, JingH Investment Partnership, Jianzhong Investment Partnership and Jianzhong WOFE entered into an equity transfer agreement, pursuant to which Mr. Xun MH, the [REDACTED], Furi Investment Partnership, JingH Investment Partnership and Jianzhong Investment Partnership transferred their equity interest, in aggregate 1.0% equity interest in Jianzhong Investment Consultancy to Jianzhong WOFE in an aggregate consideration of approximately RMB4,125,000 which was determined with reference to the net asset value of Jianzhong Construction Technology as at 30 June 2018 and was fully settled in July 2019.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

[REDACTED]

Investment by the [REDACTED]

Pursuant to the Share Subscription Agreement dated 26 November 2018 entered into between Jianzhong Construction Technology and the [REDACTED], the [REDACTED] agreed to subscribe 37,000,000 new shares of Jianzhong Construction Technology, representing 25% of the then issued share capital of Jianzhong Construction Technology at a consideration of RMB103,600,000, which was determined with reference to the net asset value of Jianzhong Construction Technology as at 31 December 2017. The consideration was fully settled in December 2018.

Principal terms of the Share Subscription Agreement

The principal terms of the Share Subscription Agreement are as follows:

Name of [REDACTED]	:	Anhui Conch Venture Investment Co., Ltd.* (安徽海螺創業投資有限責任公司)
Date of investment, i.e. date of Share Subscription Agreement	:	26 November 2018
Amount of consideration paid	:	RMB103,600,000
Payment date of consideration	:	21 December 2018
Basis of determination of the consideration	:	The consideration was determined based on arm's length negotiation primarily with reference to the net asset value of Jianzhong Construction Technology as at 31 December 2017
Use of [REDACTED]	:	General working capital. As at the Latest Practicable Date, the [REDACTED] have been fully utilised.
Strategic benefits to the Company	:	Our Directors are of the view that we can benefit from the [REDACTED] commitments to our Company as they strengthened our shareholder base. Their investments can also provide additional working capital to our Group and serve as an endorsement and recognition of our Company's performance and prospects.
Shareholding in our Company upon [REDACTED] (but not taking into account any Shares that may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme)	:	[REDACTED]%
Cost per Shares	:	HK\$[REDACTED]
Percentage of discount to the mid-point of the [REDACTED]	:	[REDACTED]%
Special rights granted to the [REDACTED]	:	No special rights shall survive upon the [REDACTED]

The [REDACTED] [has] undertaken not to dispose of, directly or indirectly, any of the Shares for a period of six months after the [REDACTED], unless prior written consent has been obtained from our Company and the [REDACTED], under the terms and conditions set forth in the undertakings.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Background of the [REDACTED]

The [REDACTED] is a limited liability company established in the PRC on 5 November 2002 and is beneficially owned as to 82.93% by the Staff Association of Anhui Conch Holdings Company Limited* (安徽海螺集團有限責任公司工會委員會), and several staff associations, which are social organisation legal entities (社會團體法人), and several individual owners. As at the Latest Practicable Date, it was an investment holding company.

The Shares held by CV Construction BVI (an indirect wholly-owned subsidiary of the [REDACTED]) will not be counted as part of the public float of our Company given that CV Construction BVI is a substantial Shareholder of our Company and hence a connected person.

Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor has reviewed the terms of the Share Subscription Agreement and is of the view that the Share Subscription Agreement is in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12) and the Guidance letter on the Pre-IPO Investments (HKEx-GL43-12).

CAPITALISATION ISSUE

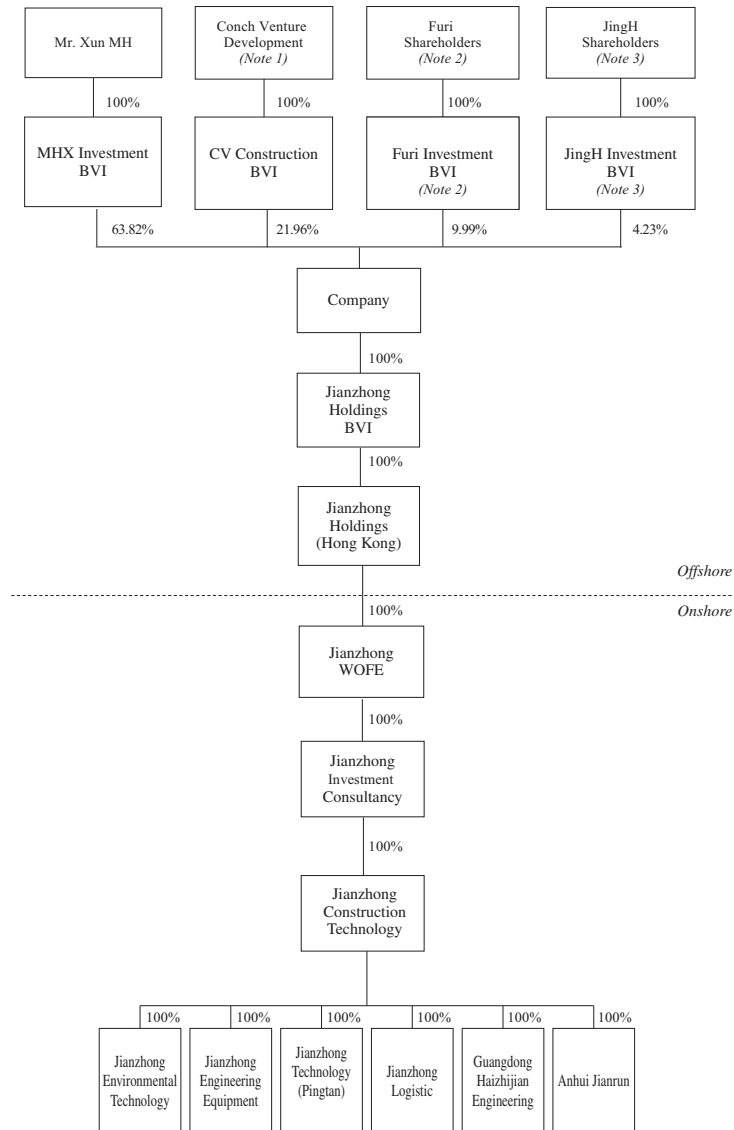
Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the [REDACTED] pursuant to the [REDACTED], our Directors shall be authorised to allot and issue a total of [REDACTED] Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the [REDACTED] becomes unconditional (or as they may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without fractions) by way of capitalisation of the sum of HK\$[REDACTED] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate Structure after the Reorganisation and before the [REDACTED]

Our corporate and shareholding structure after the Reorganisation but before the completion of the [REDACTED] is as follows:



Notes:

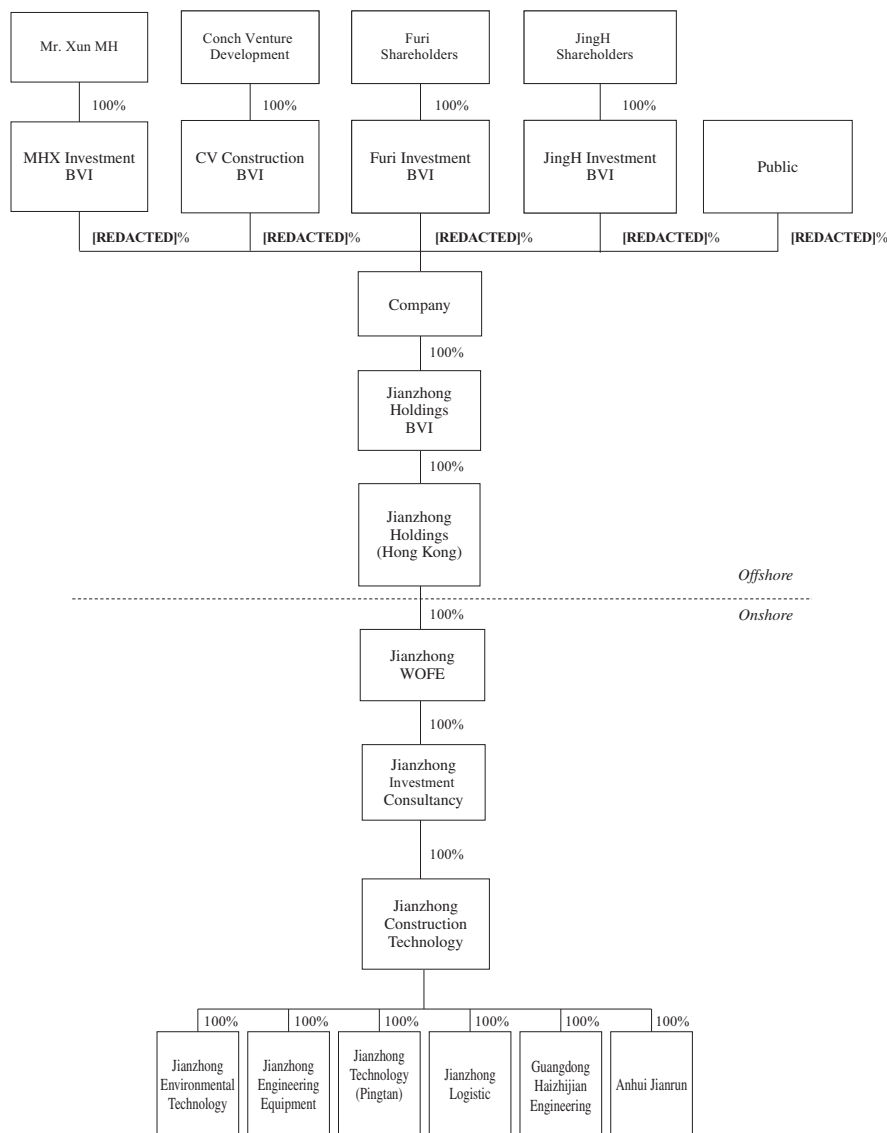
- As at the Latest Practicable Date, Conch Venture Development was beneficially owned as to 100% by Yijiang International Limited (弋江國際有限公司), which in turn was ultimately owned as to 100% by the [REDACTED]. CV Construction BVI and its ultimate beneficial owners are independent of the other Shareholders.
- As at the Latest Practicable Date, Furi Investment BVI was beneficially owned by the following Furi Shareholders, as to 42.01% by Mr. Xun LB; 10.67% by Song Yefei (宋業飛); 8.32% by Wang Yu (王語); 4.62% by Wang Yuhang (王宇航); 4.16% by Zheng Shunying (鄭順英); 3.57% by Liu Quanmei (劉權美); 3.30% by Wu Guifang (吳桂芳); 2.97% by Xu Huamin (徐華閩); 2.67% by Gao Chaohui (高朝暉); 2.64% by Jiang Yun (姜筠); 2.38% by Chen Rong (陳蓉); 1.31% by Cai Zhouhong (蔡周紅); 1.19% by Jiang Yunsong (蔣雲松); 1.19% by Su Binfeng (蘇彬楓); 1.19% by Chen Yingyan (陳穎豔); 1.19% by Sun Yong (孫勇); 1.19% by Jiang Xiaoying (江曉英); 1.19% by Fan Daqing (范大慶); 0.79% by Li Yan (李岩); 0.59% by Li Minghua (李明華); 0.59% by Wu Xiaoqin (吳小勤); 0.59% by Lin Jinjin (林矜矜); 0.48% by Wu Yanming (吳燕明); 0.30% by Zha Ti (查媿); 0.30% by Huang Yongkui (黃永魁); 0.30% by Liu Jiepin (劉捷頻) and 0.30% by Chen Wanfu (陳萬付).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (3) As at the Latest Practicable Date, JingH Investment BVI was beneficially owned by the following JingH Shareholders, as to 36.99% by Mr. Xun MH; 2.81% by Mr. He Wenlin (何文林); 2.81% by Bao Xiehe (鮑協和); 2.81% by Mr. Ni; 2.81% by Ms. Zheng; 2.81% by Yan Longyu (嚴龍玉); 2.81% by Bao Ruizhi (鮑瑞知); 2.81% by Zhang Peng (張鵬); 2.81% by Chen Guozhan (陳國占); 2.81% by Huang Kongming (黃孔銘); 2.81% by Zhang Houji (張後繼); 2.81% by Ni Xingtai (倪行泰); 2.81% by Lei Dedian (雷德佃); 2.81% by Xun Minghuo (荀名火); 2.81% by Zhan Xianming (詹先明); 2.81% by Feng Rongmei (奉榮美); 2.39% by Xun Liangjin (荀良金); 1.54% by Yan Meiyun (嚴玫雲); 1.40% by Shao Yonghui (邵永輝); 1.40% by Feng Chuanliang (馮傳亮); 1.40% by Liang Fangbin (梁方斌); 1.26% by Pan Benfu (潘本富); 1.25% by Guan Xiuqin (官秀琴); 1.12% by Du Aiguo (杜愛國); 1.12% by Lin Jian (林健); 1.05% by Ou Ran (歐冉); 0.94% by Chen Zhongbin (陳忠斌); 0.84% by Chen Manling (陳曼玲); 0.84% by Wan Xiang (萬翔); 0.81% by Zhou Honglin (周洪林); 0.70% by Fu Bing (付兵); 0.70% by Yang Huafeng (楊化鳳); 0.70% by Huang Xuejun (黃學軍); 0.70% by Xia Yufan (夏于凡) and 0.70% by Chen Jianmin (陳劍敏).

Corporate Structure Immediately after the [REDACTED]

Our corporate and shareholding structure immediately after the completion of the [REDACTED] will be as follows (without taking into account any shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme):



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

PRC LEGAL COMPLIANCE

M&A Rules

According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required. As advised by our PRC Legal Advisers, our Controlling Shareholder, Mr. Xun MH, is not regarded as a PRC domestic natural person under the M&A Rules as he had been a permanent resident of Australia prior to the acquisition of Jianzhong Construction Technology by our Group. Accordingly, the Reorganisation is not subject to Article 11 of the M&A Rules, and it is not necessary for us to obtain approval from MOFCOM for the Reorganisation nor from the CSRC for the [REDACTED] and trading of our Shares on the Stock Exchange.

As advised by our PRC Legal Advisers, all requisite approvals, permits and licences required in all material aspects under the PRC laws and regulations in connection with our subsidiaries in the PRC and in connection with the Reorganisation as set forth in this section have been obtained.

SAFE Registration

Pursuant to the SAFE Circular 37, a PRC citizen residing in the PRC or an overseas individual who does not hold a Chinese identity document but has a habitual residence in China due to economic interests (a “**PRC Resident**”) must register with the local branch of SAFE before he contributes legal assets or equity interests in China or overseas in an overseas special purpose vehicle, which is directly incorporated or indirectly controlled by the PRC Resident for the purpose of overseas investment or financing.

Pursuant to the SAFE Circular 13, SAFE cancelled the foreign exchange registration approval under overseas direct investment. The banks would review and carry out foreign exchange registration under overseas direct investment directly, and SAFE and its branches shall implement individual supervision over foreign exchange registration of overseas direct investment via the banks.

As confirmed by our PRC Legal Advisers, the PRC ultimate shareholders of our Company, namely Mr. Xun MH and the other 62 PRC citizens have completed the foreign exchange registrations on 22 March 2019 pursuant to SAFE Circular 37 and SAFE Circular 13 in relation to their offshore investments.

BUSINESS

BUSINESS OVERVIEW

We are a leading and fast-growing construction services provider based in Fujian Province which specialises in offering one-stop solutions in foundation works. We developed as a regional foundation works service provider in Fujian Province and have further extended our footprint across a number of provinces in the PRC. According to the F&S Report, (i) the foundation works market is highly fragmented in both Fujian Province and the PRC with over 1,200 and 30,000 market players in 2018, respectively; and (ii) we were the largest foundation works subcontractor in Fujian Province in 2018 and the third largest non-state owned foundation works subcontractor in the PRC in terms of revenue in 2018, respectively. We mainly act as a subcontractor on construction works projects, most of which are located in the Fujian Province as at 31 May 2019.

Our business mainly covers foundation works (including bored piles, H-piles, Larssen sheet piles, diaphragm walls and tunnelling works). To complement our foundation works service, we also provide a wide spectrum of other construction services including (i) formwork and scaffolding works (including formwork and falsework design, manufacturing of scaffold and erection services); (ii) construction of sewage treatment infrastructure; and (iii) other construction works (mainly E&M engineering works). We also have an extensive fleet of machinery and equipment, which enables us to handle complicated and/or sizable construction works, thus allowing us to capture more opportunities in the construction market and engage in construction machinery, equipment and tools leasing services. We also operate a sewage treatment plant and engage in the sales of construction materials and equipment and others.

As a one-stop solutions provider in foundation works, we pride ourselves on our ability to provide our customers with convenient and efficient comprehensive foundation works solutions. Our competitive advantage lies in our ability to manage and execute construction works projects on a timely and reliable manner. With an experienced management team, in-house R&D capabilities, large fleet of construction machinery and equipment, and production base, we have established ourselves as a leading operator and service provider in the foundation works market in both Fujian Province and the PRC. Our Directors believe that by leveraging on our experience in the foundation works market, we are able to replicate our business model in other areas in the PRC and capture future growth in the construction industry to further enhance our competitive edge.

BUSINESS

The table below sets forth a breakdown of our revenue by segment during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Construction services				
– Foundation works	40,088	333,272	874,308	313,919
– Formwork and scaffolding works	35,153	91,091	139,990	219,035
– Construction of sewage treatment infrastructure	–	–	42,254	–
– Other construction works	–	–	31,344	34,220
Subtotal	75,241	424,363	1,087,896	567,174
Leasing of construction machinery, equipment and tools	81,393	72,409	91,414	38,875
Sewage treatment operation	–	–	2,373	2,119
Others (<i>Note</i>)	120	2,085	11,067	3,709
Total revenue	156,754	498,857	1,192,750	611,877

Note: Others mainly include sales of construction materials, equipment and others.

Our construction services mainly cover foundation works. During the Track Record Period, our revenue attributable to foundation works amounted to approximately 25.6%, 66.8%, 73.3% and 51.3% of our total revenue for each of the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively. Our Group mainly secured construction works projects through tender. We identify business opportunities by reviewing tender invitations from customers and submitting tenders for potential projects. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our tender success rate was approximately 69.1%, 52.8%, 57.9% and 49.1%, respectively. Despite the downward trend of our tender success rate, the total contract value of new projects awarded and the total contract value of projects in backlog were increasing during the Track Record Period. Our Directors believe our overall tendering performance to be satisfactory.

We distinguish ourselves from traditional construction works companies by our (i) emphasis on R&D; (ii) possession of an extensive fleet of construction machinery, equipment and tools; and (iii) production base. In particular, we place a strong focus on R&D as a means to drive improvement and to seek innovation in construction equipment and technologies. As at 31 May 2019, our R&D team consisted of 73 personnel, comprising of industrial and civil construction engineers and civil engineers with extensive industry experience.

BUSINESS

By adhering to our corporate culture of “pragmatism, responsibility, innovation and professionalism” (務實、擔當、創新、專業), we believe that our Group is well-positioned to benefit from the projected increase in demand for construction services, in particular foundation works. According to the F&S Report, the market for foundation works in the PRC is expected to grow from 2019 to 2023 at a CAGR of approximately 17.1%, driven by, among other things, (i) supportive governmental policies; (ii) rapid growth of urban areas; and (iii) strong performance of the infrastructure and real estate sectors. With our ability to provide a wide range of construction services and leasing of construction machinery, equipment and tools services, we believe that we will be able to sustain our business operation in spite of adverse market condition. Our Directors believe that the effective integration of our different business segments enables us to generate diversified revenue streams, reduces our exposure to potential fluctuations in the industry and enhances our competitiveness.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths which differentiate our Group from other competitors:

We specialise in foundation works and offer one-stop solutions to our customers

According to the F&S Report, the foundation works market in Fujian Province and the PRC was highly fragmented with over 1,200 and 30,000 market players in 2018. Against such industry backdrop, our Directors strategically entered the foundation works market with the aim of becoming one of the leading market players in this highly fragmented market. We distinguish ourselves from traditional foundation works companies by our (i) R&D; (ii) possession of an extensive fleet of construction machinery and equipment; and (iii) production base, which enables us to offer our customers a convenient one-stop foundation works solutions to obtain comprehensive and diversified services with good quality and competitive pricing. Our Directors understand that some other players in the construction market can only offer part of the aforementioned, thereby requiring customers to identify and engage other service providers through further tender process. With our one-stop foundation works solutions, coupled with our ability to offer other construction services, we are able to offer customers a broad range of construction services which can be managed and coordinated efficiently and effectively by our Group. Our Directors believe that our one-stop approach improves the overall utilisation and efficiency of resources and puts us in a competitive pricing position when bidding for new projects. This, in return, lowers our customers’ costs as they can limit the number of different construction services providers to be engaged.

BUSINESS

Our Group possesses the highest qualification and licence in foundation works namely, “first class professional contractor in foundation engineering works qualification (地基基礎工程專業承包—一級)”. We also possess various qualifications and licences in other construction areas such as “first class professional contractor in lifting equipment installation works qualification (起重設備安裝工程專業承包—一級)” and “professional contractor for template and scaffold works (模板腳手架專業承包)” which strengthens our one-stop specialised foundation works solutions by allowing us to provide complementary construction services to our customers. Our Group’s ability to cover numerous aspects of a construction works project elevates the confidence and trust that our customers have in us. By understanding our customers’ needs, we are able to provide technical advice to our customers including suggestions of cost-effective construction methods which satisfy our customers’ specific needs according to different environmental constraints and aspects in a construction works project, and deliver quality comprehensive construction services and complete projects on time.

R&D. We place strong focus on R&D as a means to drive improvement and to seek innovation in construction technologies and we believe our efforts and emphasis on R&D have contributed to tender success, profitability and competitiveness. We understand that, from time to time, our customers may encounter various challenges in a construction works project and we seek to assist them to overcome such challenges with our R&D capability. We are able to develop or modify new construction machinery, equipment and tools, and adjust certain components of our existing construction machinery, equipment and tools to solve such problems encountered by our customers. We utilise various design techniques and software throughout our R&D process such as building information modelling (“**BIM**”), a software that makes use of three-dimensional models which involves the generation and management of digital representations of physical and functional characteristics of customers’ designated sites. As at the Latest Practicable Date, we have obtained 44 patents which include (i) 42 utility models patents (實用新型專利); and (ii) two design patents (外觀專利) in the PRC. We have also developed construction machinery, equipment and tools tailored to our construction process. For example, our patented equipment, namely (i) “smart mast climber construction work platform (智能導架式升降平台)”, serves as an extended workspace for construction workers to operate on at otherwise unreachable work positions; (ii) “smart pipe jacking machine” (智能化頂管機) allows us to conduct tunnelling works at high precision levels and with minimal environmental disruption; and (iii) “full steel profile attached construction scaffold (全型鋼附著升降腳手架)” which acts as a secure and flexible work platform for construction works at elevated heights. For details, please see “Research and development — Highlights of our technologies” below. From time to time we also collaborate with tertiary institutions to keep ourselves abreast of the latest technologies and developments within the construction industry. Capitalising on the synergy created through such collaboration, our R&D team is able to leverage on their technical know-how, which in turn enhances our ability to develop and integrate advanced technology into our services so that we can better cater to our customers’ needs. Our Directors believe that our significant investment in R&D is critical to our success and provides us with a unique and competitive edge in a highly fragmented market.

BUSINESS

Possession of an extensive fleet of construction machinery and equipment. Our Directors believe that the provision of foundation works is capital intensive, where specialised machinery such as hydraulic drawing pile machines and rotary drilling rigs are needed when we carry out such works. Thus, our Directors believe that our historical investment in a wide range of machinery and equipment, has strengthened our position in the foundation works market by reducing our reliance on any suppliers for construction machinery, equipment and tools, and puts us in a competitive bidding position. We are able to offer well-scheduled project planning and thorough advice on matters relating to construction machinery, equipment and tools such as selection, operation, installation, maintenance, refuelling, disassembling and other technical support. For each of the three years ended 31 December 2018 and five months ended 31 May 2019, our additions of construction machinery, equipment and tools amounted to approximately RMB139.4 million, RMB251.8 million, RMB107.1 million and RMB47.5 million, respectively. Our Directors believe that having a comprehensive fleet of construction machinery and equipment allows us to manage the costs of our business activities more effectively which in turn puts us in a competitive bidding position and enhances our ability to take up a variety of construction works projects as we can meet our customer's needs and the demands of extreme construction site conditions by providing machinery of different types and sizes from time to time.

Our production base. We also operate a production base which enables us to conduct R&D and to manufacture some of our construction machinery, equipment and tools such as aluminium formworks and to modify such machinery, equipment and tools to further enhance our efficiency. With a view to streamlining our R&D and production process, we strategically located our R&D department and production facility in close proximity to each other in order to allow effective communication, feedback and cooperation. Furthermore, as our Directors consider that our competitive edge is driven by our emphasis on R&D and the close collaboration between our R&D and production team, we expanded our R&D department during the Track Record Period. Our R&D team focuses on developing integrated construction solutions tailored to our customers' needs, providing guidance and advice on construction design and techniques in relation to our projects, providing regular trainings or seminars to our staff and introducing new technologies in relation to construction methods to our Group to improve our existing services and enhance our production efficiency.

Our quality services have made us a leading and rapidly growing foundation works service provider

Through our commitment to providing quality services, we have developed as a regional foundation works service provider in Fujian Province, and further extended our footprint across a number of provinces in the PRC. In addition, we have steadily embarked upon cross regional expansion within the PRC to capitalise on growing national opportunities. To streamline and standardise our business operation, we have devised internal control policies which cover different kinds of services provided by us and contain our policies, standardised procedures as well as protocols in rendering our services. We provide training to our staff as well as the staff of our subcontractors to ensure that they can follow our stringent service standards and procedures. These streamlining and standardisation measures have allowed us to replicate our operations in new construction works projects, thereby rendering our services to customers more effectively. These measures have also ensured that we are able to deliver consistent quality services across all projects managed by us, which enhances customer satisfaction and confidence in our services. Through extensive industry experience and in-depth understanding of our customers, we have

BUSINESS

made continuous efforts to create and provide a wide range of quality services to meet customers' demands and needs. As a reflection of our focus and commitment to quality services, over the years, we have received numerous awards and certificates in recognition of our service quality such as (i) China Top 10 Foundation Construction Company (Non state-owned) (中國基礎施工企業十強(非國有)); (ii) Fujian Provincial Scientific and Technological Enterprise Certificate (福建省科技型企業證書); and (iii) Fujian Province Science and Technology Small Giant Enterprise Certificate (福建省科技小巨人領軍企業證書). As a result of our in-depth industry knowledge accumulated from our extensive experience in the construction of major projects, such as participate in a Fujian offshore wind power industrial park project and municipal tunnel works of an industrial park in Xiamen, we are able to undertake construction works projects of different scale and complexity.

We believe our track record in undertaking large scale of construction works projects can be regarded as a credit to our ability to offer quality services which in turn allows us to further attract more potential customers and secure more. During the Track Record Period and up to the Latest Practicable Date, we had completed a total of 100 projects. As at the Latest Practicable Date, we had 177 projects on hand (including projects in progress and the projects that have been awarded to us but have yet to commence). These projects had an outstanding total contract sum of approximately RMB1,093.3 million.

We provide professional operational and technical support for our leasing of construction machinery, equipment and tools to our customers

Historically, trading and leasing of construction machinery, equipment and tools have been our principal business through which we have accumulated substantial resources, technical expertise and capability in the construction industry. We strive to adopt an effective and flexible fleet management strategy that aims to complement our construction services on the one hand, and on the other to optimise the utilisation, size and composition of our machinery and equipment fleet to adapt to changing market conditions and trends. As at 31 May 2019, we maintained (i) over 900 units of construction machinery and equipment; and (ii) over 50,000 tons of H-piles and Larssen sheet piles.

Our leasing arrangements cover a wide range of services including repair, maintenance, installation and technical support. We place significant emphasis on the services provided by our operation and technical support team. We can provide technical staff to service equipment in a timely manner to ensure our customers are provided with fully operable equipment when required. We believe that our ability to provide technical support services and skilled equipment operators is an important advantage. Our operational and technical support services are provided by our team of experienced and trained operators and technicians with relevant technical background and experience. We place emphasis on investment in our human capital and in the training and retention of our staff, as we believe that they are vital to our long term success.

BUSINESS

We have well-established business relationship with most of our customers

During the Track Record Period, our customers included reputable state-owned construction enterprises, such as Customer A. We believe that the quality of our works can be evidenced by the continued business relationships between our Group and our customers. Based on our Directors’ knowledge, many of our five largest customers during the Track Record Period are active market players in the construction and real estate industries in the PRC and our Directors believe that our operating history, as well as our stable relationship with them would increase our Group’s recognition and awareness in the market.

Further, our Group’s business model and the services provided by us are adaptable in serving different customers’ needs. Our Directors consider that our business relationship with Customer A, being one of the largest construction companies in the PRC, and established track record can be regarded as a credit to our ability to offer quality one-stop specialised foundation works solutions to our customers. This will in turn attract more potential customers with sizeable scale of operations, which our Directors believe, usually adopt stringent approaches in their selection of construction subcontractors in a region. In addition, our Directors believe that the development of our business relationship with Customer A enables us to better understand (i) the criteria and requirements and quality standard of large scale construction companies; and (ii) the key elements and strategies for effective project management and operation which could be replicated to other construction works projects. Therefore, our Directors believe that we have been able to meet the high standard of established and leading corporate customers throughout the years as a result of our high quality and wide variety of services that we are able to offer. We believe that our customers have high standard of quality control requirements and would expect a high quality of services from its service providers. Our ability to establish and retain relationship with reputable customers also proves our excellence and reflects the trust and confidence which our customers place in us and in particular the acknowledgement that we are able deliver high quality and tailored services to them. We believe that our success in establishing and maintaining stable customer relationship is a direct reflection of our strength in delivering high quality services in a consistent, timely and efficient manner. Going forward, leveraging our diversified customer base and our multiple qualifications and licences, our Directors believe that we are able to establish relationship with customers of different types and scales and further diversify our customer base.

We have an experienced and professional management team which is supported by a team of R&D staff

The majority of our Executive Directors have extensive experience and technical knowledge in the construction industry in the PRC and have worked in the construction industry for over 20 years. We have a dedicated management team that possesses expertise on project management and construction safety, which is crucial for us to ensure that we are able to (i) formulate competitive tenders; and (ii) effectively and efficiently complete the projects awarded to us. In particular, our Group is led by Mr. Xun MH who has over 26 years of experience in the PRC construction industry and has accrued years of industry experience during his past employment at various construction and construction-material companies. In addition, we have a team of R&D staff which is led by Mr. He Wenlin. Please see “Directors and Senior Management” for biographical details of our Executive Directors and senior management.

BUSINESS

We believe that through the experience and technical knowledge of our Executive Directors and members of our management team, we are able to remain competitive and well-positioned in competing for, as well as securing contracts in the future.

Our Directors and management team are supported by a growing and dedicated staff force. As at the Latest Practicable Date, our Group had a team of engineers, technicians and machine operators that possess relevant qualifications to ensure that we can complete quality construction works efficiently. Therefore, our Directors consider that the possession of a growing and dedicated staff force, being our competitive advantage, would facilitate us to obtain contracts from sizable customers and maintain the quality of our works.

BUSINESS STRATEGIES

We aim to achieve sustainable growth and further strengthen our market position in the foundation works market in the PRC in order to increase long-term shareholder value. To achieve this, we will continue to actively seek business opportunities in the construction industry especially the foundation works market by implementing the following business strategies:

Expand our market share through continued investments in our construction works projects

According to the F&S Report, between 2013 and 2018, the foundation works market in the PRC experienced steady growth which was primarily attributable to the strong performance of the infrastructure and real estate sectors. As such, revenue of the foundation works market in the PRC increased from RMB2.3 trillion in 2013 to RMB3.1 trillion in 2018, representing a CAGR of 6.4% from 2013 to 2018. Going forward, the rising demand the infrastructure and real estate sectors in the PRC will continue to be the major driver for growth of the foundation works market and is expected to reach RMB4.4 trillion by 2023, representing a CAGR of 7.1% between 2019 and 2023.

Moreover, according to the F&S Report, driven by the rapid economic development in Fujian Province, the market demand for foundation works in Fujian Province has experienced rapid growth in recent years. Between 2013 and 2018, the market size of the foundation works market in Fujian Province increased from RMB76.1 billion in 2013 to RMB139.6 billion in 2018, representing a CAGR of 12.9%. With the provincial government planning to further enhance transportation infrastructure in Fujian Province, as well as to promote continued urban development, the market size of foundation works in Fujian Province is expected to reach RMB203.2 billion by 2023, representing a CAGR of 7.5% between 2019 and 2023.

According to the F&S Report, Fujian Province has actively developed its infrastructure and real estate sectors in order to coordinate with the national policy direction, such as “Belt and Road Initiative”, and also to cope with rapid economic growth. The Fujian Provincial Department of Transportation (福建省交通運輸廳) has commissioned eight major construction works projects for the coming years which are composed of 38 highways, five inland water transport, 90 ocean transport and 30 transportation hubs. Along with such infrastructure projects, construction of buildings for residential and commercial use in neighbouring areas is also expected to further increase the demand for foundation works in Fujian Province. Moreover, in 2016, the Fujian provincial government published “Outline of the 13th Five-Year Plan for Housing and Urban-Rural Construction in Fujian Province” (《福建省住房和城鄉建設事業“十三五”規劃綱要》)

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which required urban area redevelopment and reform in Fujian Province, such as shanty area renovation, between 2016 and 2020. As such, the demand for construction works, including foundation works, in Fujian Province is expected to grow positively. Please see "Industry Overview" for further details.

In view of the forecasted growth of the foundation works market in the PRC and Fujian Province as stated above, we aim to actively capture emerging business opportunities by undertaking more construction works projects. Our Directors are confident that there will be a considerable demand for our services to increase our market share, having considered (i) the foundation works market both in Fujian Province and the PRC is highly fragmented with over 1,200 and 30,000 market players in 2018 engaging in foundation works, respectively; (ii) we were the largest foundation works subcontractor in Fujian Province and the third largest non-state owned foundation works subcontractor in the PRC in terms of revenue in 2018, respectively; and (iii) during the Track Record Period, we have achieved a considerable growth in business, in particular for our construction services, in terms of revenue and gross profit.

During the Track Record Period, our revenue grew considerably which was mainly attributable to the increase in our construction services business. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, we recorded revenue of approximately RMB75.2 million, RMB424.4 million, RMB1,087.9 million and RMB567.2 million for our construction services business, respectively, and gross profit of approximately RMB10.6 million, RMB106.9 million, RMB252.3 million and RMB124.0 million, respectively, for the corresponding period.

Going forward, our Directors believe that, after the [REDACTED] and as a result of our continued business expansion, our market presence will be significantly enhanced and enable us to reach out to more customers and to undertake more construction works projects in areas outside of our current locations in Fujian Province and the Yangtze River Delta Megalopolis, such as the Pan Pearl River Delta Megalopolis where our Directors expect to have considerable demand for our services, thereby further strengthening our market position in the construction industry in the PRC as a whole.

According to the F&S Report, the construction industry, including foundation works, in the PRC is considered to be a capital intensive industry because a significant amount of cash reserves is required for the early stage of construction works as the payment of the construction work project is divided into multiple stages and payment is only made according to the work progress. Therefore, due to the timing mismatch between the cash outflows and cash inflows of a project, we are required to carefully assess the capital requirements of any business opportunity before we proceed to submit our tender. We are also required to manage and monitor our working capital and available banking facilities closely to ensure that we have sufficient financial resources throughout the construction works projects.

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During the Track Record Period, we experienced working capital pressure and in order to manage our liquidity, we maintained a sufficient level of working capital through, among others, (i) bank loans and other borrowings; (ii) capital injection from equity shareholders; and (iii) [REDACTED] from the [REDACTED]. Going forward, in view of the expected business development and the anticipated additional construction works projects on top of our current scale of operation as mentioned above, our Directors estimate that a substantial amount of upfront costs will be incurred simultaneously and therefore additional financial resources are required to be in place at the relevant period.

In view of the above, we intend to apply approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), or [REDACTED]% of the net [REDACTED] of the [REDACTED], to fund our operating costs in connection with our upcoming construction works projects as part of our expansion strategy. Please see “Future Plans and [REDACTED]” for further details.

Enhance our fleet of construction machinery, equipment and tools

We believe that our investment in construction machinery, equipment and tools has further strengthened our position to undertake construction works projects of different scale and complexity. As the provision of construction works service such as foundation works is capital intensive and requires specialised machinery to conduct such works, we are able to perform different types of construction works without any material reliance on any suppliers for leasing of construction machinery, equipment and tools.

We constantly monitor the utilisation of our construction machinery, equipment and tools and continue to make investment on the same with the aim of optimising the size and composition of our fleet to adjust to changes in demand for specific construction machinery and equipment as well as to manage our repair and maintenance costs. As at 31 May 2019, we maintained over 900 units of machinery, equipment and tools and over 50,000 tons of H-piles and Larssen sheet piles. For the utilisation rate of our construction machinery and equipment, please see “Our services - Leasing of Construction Machinery, Equipment and Tools” below. Our Directors believe that having a comprehensive fleet of construction machinery and equipment allows us to manage the costs of our business activities effectively which in turn enhances our ability and capability to take up a variety of construction works projects as it can meet our customer’s needs and suit extreme site conditions by providing machinery of different types and sizes from time to time. Furthermore, to maximise our utilisation rate, achieve higher profit margin and diversify our revenue stream, we also provide leasing of construction machinery, equipment and tools to our customers on a standalone basis.

During the Track Record Period, despite continuous investment in construction machinery, equipment and tools, we have from time to time resorted to our suppliers for leasing of construction machinery, equipment and tools to support our increasing business operation. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our additions of construction machinery, equipment and tools amounted to approximately RMB139.4 million, RMB251.8 million, RMB107.1 million and RMB47.5 million, respectively.

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In view of the above, in line with our past strategy, we intend to further expand our fleet of construction machinery, equipment and tools in order to cope with our business development and undertake additional projects simultaneously on one hand, and strengthen our leasing capacity on the other hand.

In addition, the construction machinery, equipment and tool leasing market in the PRC as well as Fujian Province is expected to grow in the future. According to the F&S Report, the size of the construction machinery, equipment and tool leasing market in the PRC has grown rapidly from RMB34.9 billion in 2013 to RMB112.1 billion in 2018, representing a CAGR of 26.3%. The growth was predominantly due to the surging demand in the overall construction industry in the PRC, leading to an increase in the demand for construction equipment. With continued urbanisation, the market is expected to increase at a CAGR of 12.0% for the next five years, reaching RMB205.7 billion in 2023.

Similarly, according to the F&S Report, as a result of the rapid growth of the construction and real estate markets in Fujian Province, the size of the construction machinery, equipment and tools leasing market in Fujian Province increased from RMB1.4 billion in 2013 to RMB4.6 billion in 2018, representing a CAGR of 26.9%. Increasing investment in infrastructure, and real estate projects and the use of advanced construction equipment has led to an increase in the demand for construction equipment leasing. The market size is expected to grow at a CAGR of 13.1% during 2019 to 2023.

In view of the above, our Directors believe that the continued expansion of our fleet construction machinery and equipment can also enhance the availability and variety of construction equipment to cater for the different needs of our customers for leasing of construction machinery, equipment and tools and thereby strengthen our competitiveness to capture the increasing business opportunity in the construction equipment leasing market in the PRC and Fujian Province.

Accordingly, we intend to apply HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), or [REDACTED]% of the net [REDACTED] of [REDACTED], to finance part of our acquisition costs of our additional construction machinery, equipment and tools as part of our expansion strategy. Please see “Future Plans and [REDACTED]” for further details.

Strengthen our R&D capabilities

We believe our profitability and competitiveness are driven, to a certain extent, by our emphasis on R&D. According to the F&S Report, over the years, market participants have implemented various applications and technologies, such as Building Information Modelling (BIM), to enhance the overall quality of construction works. In addition, the PRC Government has also implemented policies to promote such technologies in the PRC construction industry, which has raised the demand for highly qualified and experienced professionals. Accordingly, we have been devoted to R&D to drive improvement and innovation in construction technologies and to increase operational efficiency. Please see “Research and Development” below for further details.

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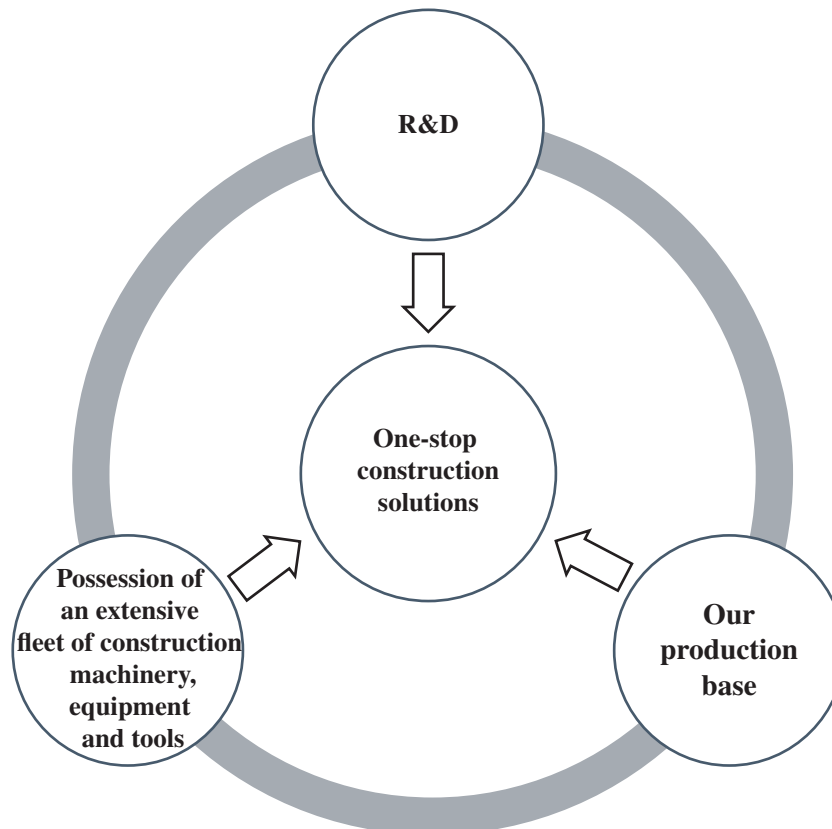
We believe that our R&D capability is key to our future expansion. Therefore, going forward, we will continue to strengthen our R&D capabilities and commit to the development of potential new construction machinery, equipment and tools to maintain and further strengthen our position as one of the leading non-state owned foundation works enterprises in the PRC. In particular, as mentioned above, with the aim to executing our strategy of expanding our business to different regions in the PRC so as to capture more business opportunities, we plan to expand our R&D team and further strengthen our collaboration with tertiary institutions, both of which we believe can provide us with insights into industry trends of different regions and emerging new construction engineering knowhow and technologies and enable us to focus our future R&D efforts more effectively.

Expand our sales network to capture more business opportunities

During the Track Record Period, we established two subsidiaries, namely Guangdong Haizhijian Engineering and Anhui Jianrun in Guangdong Province and Anhui Province, respectively. While both subsidiaries are still at their inception stage and have not commenced operations, they were established with the aim to strengthen our ability in bidding of tenders in different regions. We plan to develop both subsidiaries with a focus on enlarging office space, increasing headcount and expanding our sales team in each location. Furthermore, to strengthen our ability to approach potential business opportunities in different regions, we may establish further branch offices in the Yangtze River Delta Megalopolis which our Directors believe can enhance our market shares.

OUR BUSINESS MODEL

Our principal business model can be illustrated through the diagram below:



BUSINESS

We offer a variety of construction services and specialise in providing one-stop foundation works solutions to help customers to achieve their different demands and resolve technical difficulties, with an aim to achieve higher efficiency and reliability. We have the ability to provide comprehensive construction machinery, equipment and tools, including consultation, on-site equipment installation, operation, and technical support. We also constantly improve our construction machinery, equipment and tools through our R&D and make the necessary modifications to them to meet customers' requirements at our production base, which cover the value-added services that our customers generally require in relation to machinery, equipment rental from commencement to completion of their projects. Our capability to provide these solutions illustrate that when our customers engage us to provide machinery, equipment and tools, we have the capability to (i) assist them in solving different planning, technical and operational problems, and (ii) provide them with greater efficiency than having to engage different consultants, technicians, operators and logistic companies. We seek to distinguish ourselves from our competitors by our emphasis on (i) R&D; (ii) possession of an extensive fleet construction machinery and equipment; and (iii) our production base.

R&D. We consider that our R&D capability is the key to our future growth and expansion against the rapidly changing industry backdrop as it enables us to respond promptly to the changing needs of our customers. We constantly modified and improved our construction techniques and construction machinery, equipment and tools by incorporating direct feedback from our customers.

Possession of construction machinery, equipment and tools. We owned a strong fleet of construction machinery and equipment with over 900 units of machinery and equipment, including loaders, crawler cranes and excavators as at 31 May 2019. By offering a wide variety of equipment, we are able to fulfil the needs of our customers during various stages of construction works. We regularly inspect and service our equipment to ensure they are well-maintained and available in good condition when they are needed by customers. Active equipment repair and maintenance increases useful life, utilisation and also resale value.

Our production base. We operate our own production base which enables us to manufacture and modify construction machinery, equipment and tools which are used in our provision of construction services. Our R&D and production base are located within close proximity to each other to (i) accelerate effective communication; (ii) embed our production process into the R&D process; (iii) and facilitate the efficient transfer of knowledge and technical know-how.

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OUR SERVICES

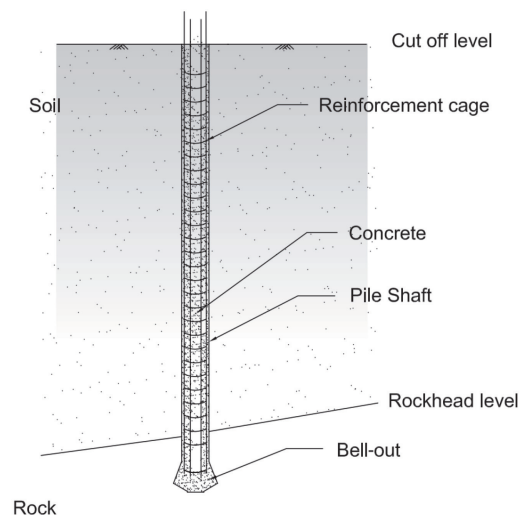
1. Construction services

(a) Foundation works

Foundation works (such as bored piles, H-piles, Larssen sheet piles, diaphragm walls and tunnelling works) are sub-structure in nature and are performed to provide a level and hard strata or bed for building operations so as to secure the stability of a structure as a whole. The type of foundation construction depends upon several factors, including (i) the nature of the sub-soil; (ii) the type and depth of the loads to be installed; (iii) the layout of the construction structure; (iv) the conditions of the sites; (v) and economic considerations. Certain types of foundation works carried out by our Group are as follows:

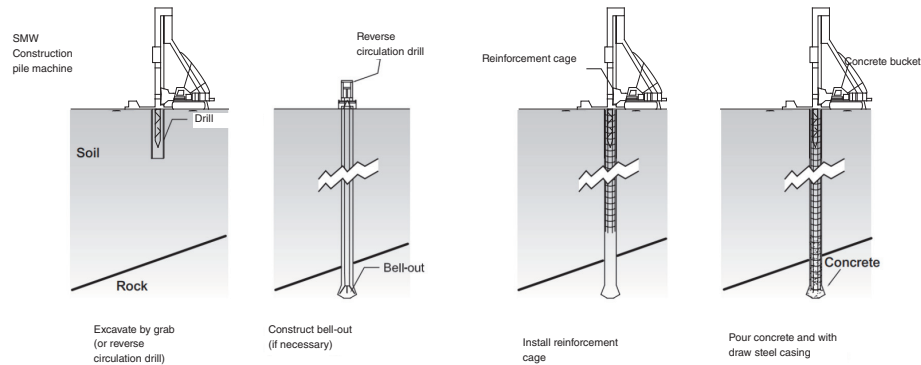
(i) Bored pile

A typical bored pile



BUSINESS

The construction of bored piles involves the excavation (inside a steel casing) of a circular hole in the ground by rotary drilling rig reverse circulation drill, insertion of a reinforcement cage into the circular hole and the filling of concrete by tremie method. The following diagrams illustrate the typical process for construction of a large diameter bored pile:

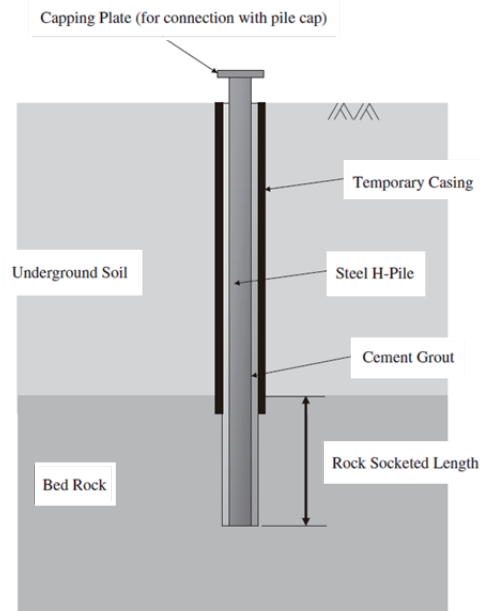


Typically, bored piles are used to support buildings or structures which have heavy vertical loads. A bored pile is a cast-in-place concrete pile cast on construction sites. Given that there are a large variety of pile diameters and construction techniques, large diameter bored piles can be tailored and adapted to various superstructure loading requirements and bearing capacity of the bedrock. In addition, the construction of a bell-out at the base of a large diameter bored pile can further increase the pile load bearing capacity.

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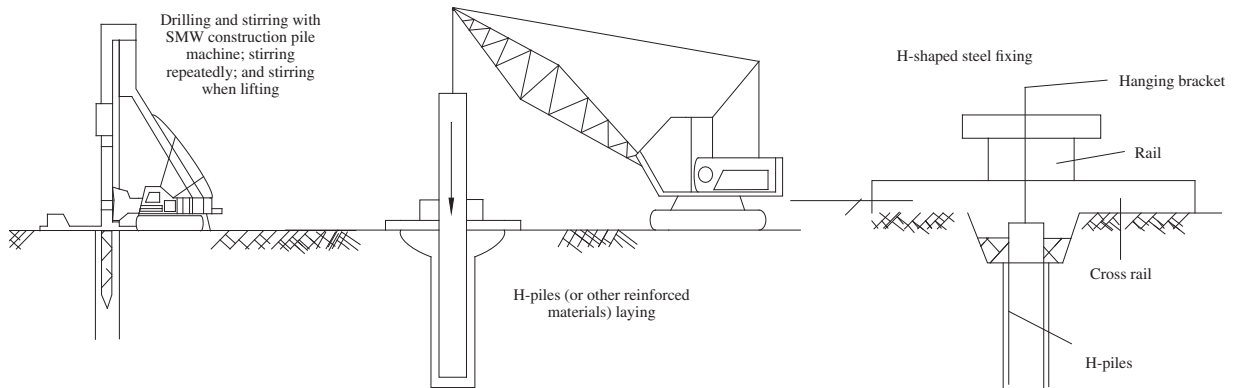
(ii) *H-piles*

The diagram below set forth the methodology and specifications of H-piles foundation works:



We construct H-piles using SMW method. Drilling is carried out to a certain depth on the construction site while cement strengthening agent is sprayed out through the drill bit and repeatedly mixed and stirred with foundation soil. The formed construction units are connected by overlapping joint. Before the cement-soil mixture is hardened, H-piles or steel plates are inserted as reinforcing materials until the cement-soil mixture hardens to form a continuous, complete, seamless and economical underground wall with certain strength and rigidity. After the earth retaining function of the enclosure structure is completed, the steel can be recycled.

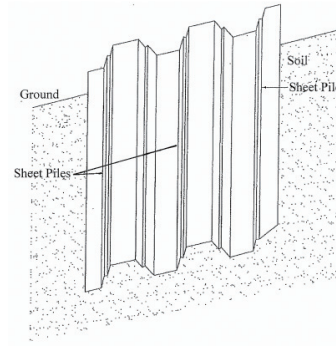
The following diagrams illustrate the typical process for construction of H-piles using SMW method:



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(iii) Larssen sheet piles

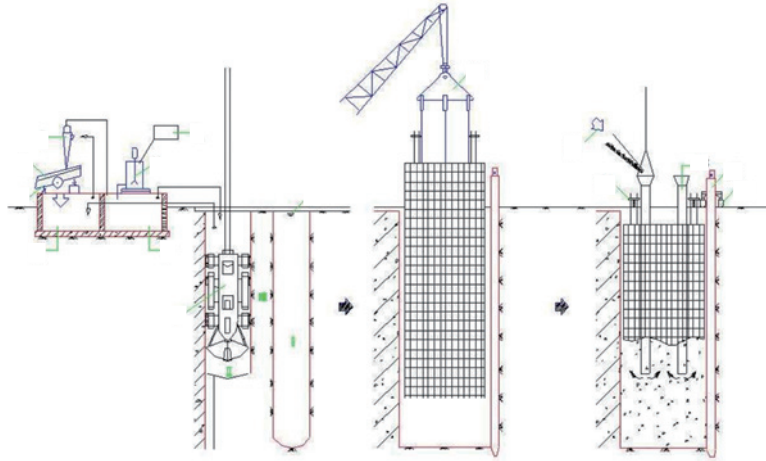
Larssen sheet piles are u-shaped in cross-section and are thin interlocking profiled steel sheets. They are connected together by sliding joints to form various types of retaining wall. They are commonly used as temporary retaining wall or cofferdam to enable subsequent temporary or permanent works, such as excavation for basement or pile caps construction. Larssen sheet piles have the advantage of being light weight, easy handling, reusable, easy to adapt to the required length (by welding or bolting) and easy installation (by driving or vibrating to the required depth).



(iv) Diaphragm wall

A diaphragm wall is a reinforced concrete wall built to support an excavated underground space which typically becomes the basement area of a building (e.g. underground parking for vehicles). It is also a continuous wall constructed in the ground to facilitate certain construction activities such as construction of retaining wall or a cut-off provision to support deep excavation or a form of foundation. Prior to excavation of earth, trenches are dug along the boundaries of the site to be excavated. Excavation of the site may then proceed once the supporting wall is formed. The supporting walls are prevented from collapsing by the temporary use of horizontal steel struts to support adjacent supporting walls until horizontal basement slabs are built. Once excavation reaches the desired depth, basement works for the superstructure to be erected will then take place.

BUSINESS



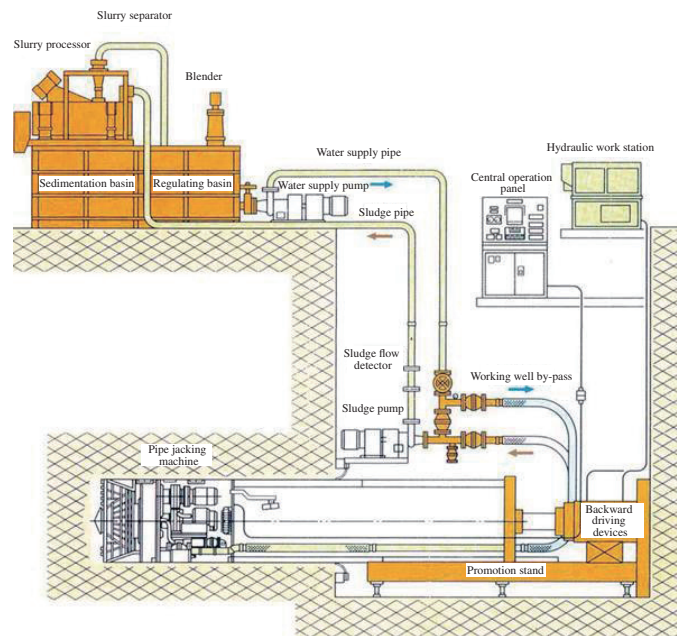
(v) *Tunnelling works*

The tunnelling works carried out by our Group generally involve the installation, replacement or renewal of underground utilities as constructed by pipe jacking or hand dig methods (collectively referred to as the trenchless method), which avoids disruptions to the environments such as existing underground utilities, nearby foundation, traffic and vegetation.

The tunnelling works commence by excavating a jacking shaft at the entrance of the purposed tunnel. A tunnelling shield is then jacked into the ground, while the face of the tunnel is excavated by either a tunnelling machine or manual tools. The soil is usually removed by a slurry system mechanically or mucking cart manually. As the shield advances, tunnelling pipes are inserted behind the shield one by one and the whole string of pipes and the shield is jacked forward. The tunnelling works proceed with the continual installation of tunnelling pipes. The pipeline is completed when the jacking shield reaches the reception shaft.

BUSINESS

The diagrams set forth below illustrate the operation of typical trenchless works:



Owing to our R&D ability, we have developed our own tunnelling equipment, namely the smart pipe jacking machine to support our tunnelling works (一種智能化頂管機). Please see “Business — Research and Development” below for further details.

(b) Formwork and scaffolding works

Formwork is the process of creating a temporary mould into which concrete is poured. The mould holds the cement until it sets to create walls, slabs or other structural elements. When the cement hardens and such structures are able to support themselves independently, the formworks are removed accordingly.

We offer a series of services in connection with the construction of reinforced concrete structures including: (i) formwork design; (ii) manufacturing; and (iii) erection services. We provide customisable formworks at various shapes and sizes, as well as different classes of finish.

The major types of formwork that we offer are broadly classified as (i) aluminium formwork; and (ii) timber formwork. Timber formwork, as compared to metal formwork, possesses several key advantages in both large and small-scaled construction works projects. For instance, timber formwork is relatively cheaper and its lightweight nature facilitates transportation. On the other hand, aluminium formworks are generally used in construction works projects, or in situations where a large number of repetitive shuttering in the same project is anticipated, such as projects involving the construction of structurally identical storeys. We design and manufacture aluminium formworks at our production base.

BUSINESS

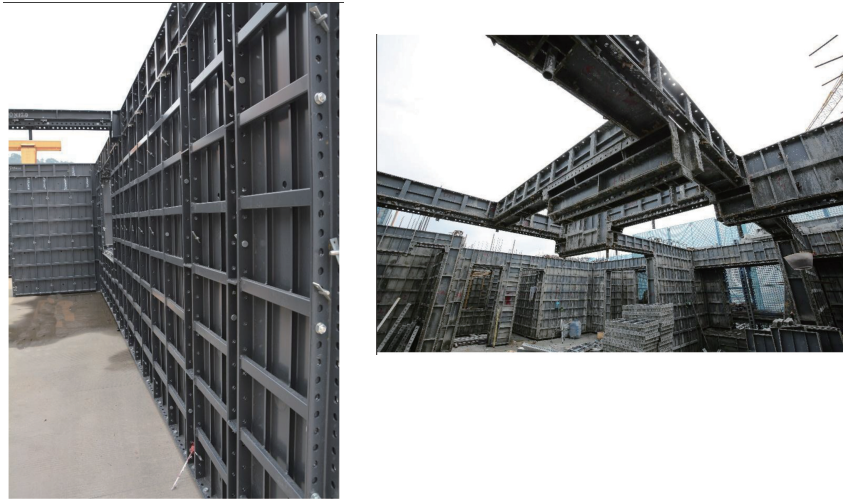
Set forth below is a simplified work sequence of a typical floor based on manual formwork works for the purpose of illustrating our business activities:

<u>Major steps</u>	<u>Description</u>
(1) Level survey and setting out	The step of level survey and setting out at the area to be built is to ensure that the formworks will be erected in accordance with the construction drawings. The level survey and setting out are done by our customers.
(2) Preparation of formwork panels	We manufacture our own aluminium formworks at our production base. Typically, the panels are cut and trimmed into smaller panels with designated dimensions fit for erecting concrete structures. Such panels will then be welded and assembled to form the desired shape for specific erection services. As to timber formworks, they are cut into the required shapes and dimensions of our customer's construction sites.
(3) Erection	The formwork panels are fixed into position with timber struts, nails and bolts. The fixed panels then become a mould ready to be erected to support concrete structures, namely a formwork.
(4) Alignment	After erecting the formwork, we will check whether the individual panels align horizontally and vertically, so that the formwork is able to offer optimal support to the concrete structure subsequently.
(5) Concrete pouring	Concrete will then be poured in place by the relevant site workers.
(6) Striking	The process of removing the formwork will commence after the concrete has gained the required strength. Formwork panels which can be reused in the same project will be gathered and steps 3 to 5 are repeated.

For structures that are structurally similar or identical, the above step plan will be repeated for each and every formwork erection process in the project. In terms of manpower, on-site workers usually specialise in one to two steps in the whole process and are typically assigned to designated work zones to improve worksite efficiency.

BUSINESS

The diagrams below set forth our aluminum formwork:



Apart from our formwork services, we also assemble scaffold which is a temporary structure used to support workers and materials to aid in the construction, maintenance and repair of buildings. Metal scaffolds are commonly used in our Group’s falsework design for the erection of formworks. Our scaffolding involves the supply of access solutions to builders and building contractors when working at heights. During the Track Record Period, our scaffolding structures mainly include (i) steel scaffolding; and (ii) attached cantilever scaffolding. Owing to our R&D capabilities, we designed our smart mast climber construction works platform (智能導架式升降平台) and full steel profile attached construction scaffold (全型鋼附著升降腳手架) to gradually replace our steel scaffold and attached cantilever scaffold. Please see “Research and Development” below for further details.

(i) Steel scaffolding

Our steel scaffolding is made from steel pipes that are set jointly by steel fittings or couplers. Steel scaffolding is relatively simple to erect and dismantle, and is generally more robust, and has greater durability and superior fire resistance.

(ii) Attached cantilever scaffolding

Attached cantilever scaffold refers to the external scaffold erected at a certain height and attached to the engineering structure which moves up or down level by level with the engineering structure relying on its own lifting equipment and devices and is equipped with the anti-overturn and anti-falling devices.

Ancillary to our formwork and scaffolding works, we also design and construct falseworks including (i) workers’ safe access to erect formworks; (ii) fixing of concrete reinforcement and pouring of concrete; and (iii) temporary support for concrete slab, beam or other superstructure. Falsework’s primary goal is to support the formwork before the permanent concrete structure has gained sufficient strength for self-supporting as well as supporting the working loads.

BUSINESS

(c) Construction of sewage treatment infrastructure

During the Track Record Period, we submitted our bid application in respect of a build, operate and transfer (“**BOT**”) project, namely Changle Sewage Treatment Plant Advanced Sludge Treatment Reconstruction Project (長樂城區污水處理廠污泥深度處理處置工程(提標改造工程)). The BOT project corresponds to a sewage treatment plant situated in Fujian Province, (“**BOT Project**”) which was originally in operation by a company (the “**Sewage Treatment Operator**”).

We received a letter of tender award on 21 December 2017 by which Jianzhong Construction Technology was awarded with the construction and modification of the BOT Project, with a tender sum of approximately RMB49.9 million. On 21 January 2018, Jianzhong Construction Technology entered into a procurement agreement with the project company formed by the Sewage Treatment Operator, with respect to the construction and modification of the BOT Project. Subsequently, on 9 November 2018, the Sewage Treatment Operator and Customer I entered an agreement with respect to the operation of the BOT Project (the “**Sewage Treatment Infrastructure Agreement**”), pursuant to which we are responsible for the ongoing operation of the sewage treatment infrastructure under the BOT Project until 30 April 2030 at a tentative unit price subject to (i) the final approval of tentative unit price by the relevant government authority; and (ii) the signing of a supplemental agreement between the relevant parties. As advised by our PRC Legal Advisers, the effectiveness of the Sewage Treatment Infrastructure Agreement is subject to the signing of a supplemental agreement among the relevant parties. Notwithstanding that, we completed the construction of the sewage treatment infrastructure, commenced its ongoing operation and received revenue in accordance with the tentative unit price under the Sewage Treatment Infrastructure Agreement since then and up to the Latest Practicable Date. To the best knowledge and belief of our Directors after making all reasonable enquiries, it is estimated that the relevant parties will sign a supplemental agreement in or around December 2019 whereby the tentative unit price and other terms and conditions of the Sewage Treatment Infrastructure Agreement will be finalised. Please see “Risk factor – Our revenue derived from our sewage treatment operations may be subject to final confirmation and further price adjustments by competent authorities”. In the unlikely event that the supplemental agreement is not entered into among the relevant parties by the end of June 2020 or the terms and conditions of the supplemental agreement are less favourable in material aspect than those originally agreed under the Sewage Treatment Infrastructure Agreement, Mr. Xun MH, being one of our Controlling Shareholders, has undertaken that he would acquire the entire sewage treatment infrastructure operation business from our Group at the then fair market value evaluated by an independent third party valuer. Please see “Our Services — 3. Sewage Treatment Operation” for further details of the operation phase.

BUSINESS

We consider the sewage treatment project to be an incidental but natural extension of our business which utilises the strengths of our Group, for reasons detailed below:

- (i) we possess extensive experience in offering construction works solution to our customers which are diversified in nature;
- (ii) our personnel have accrued substantial experience in construction works, and are equipped with existing skillset and expertise which are readily transferrable and applicable to the construction of sewage treatment infrastructure; and
- (iii) our scope of work and services in the BOT Project is based on an existing sewage treatment plant in the form of additional construction works. The existing facilities and operation have facilitated our understanding and adoption to the operational and technical systems of the sewage treatment plant.

Set out below are the key contract terms of the agreement in relation to the build phase of the BOT Project at construction and modification stage:

<u>Key contract term</u>	<u>Details</u>
Location of sewage treatment plant	West of Taiping Port, Xiazhou Village. Hangcheng Town, Changle District
Date of commencement of construction	1 January 2018
Scope of modification and alteration works	The scope of construction works mainly includes: intermediate lift pump house, dosing room and power distribution room, high-efficiency sedimentation tank, sludge backflow pump house, fibre cloth filter, ultraviolet disinfection pool, process pipelines, plant area roadside landscaping, construction of additional floors for the lab building, alteration of biological pool, modification of coarse and fine screens, and alteration of carbon-source dosing room.

As at the Latest Practicable Date, we were awarded with project through tender in respect of the construction of sewage treatment infrastructure in Jiangsu Province.

(d) Other construction works

Ancillary to our construction services, we also provide other construction works mainly being E&M engineering works, which covers installation of water supply and drainage systems, heating and ventilation systems and electricity systems.

BUSINESS

2. Leasing of construction machinery, equipment and tools

We primarily retain our construction machinery, equipment and tools for self use in our own construction works projects. However, to maximise the utilisation rate of our construction machinery, equipment and tools and for certain kinds of such machinery, equipment and tools which are not for use in our projects, we also provide leasing of construction machinery, equipment and tools to our customers on a standalone basis. We determine the need, duration and quantity of equipment and machinery required in each project on a case-by-case basis. We will take into consideration the project size, project nature, cost and resource allocation, and project specification by each project owner.

Our leasing arrangements may include repair, maintenance, installation and technical support services during the rental period. Our in-house technical support team conducts servicing for our rental and trading customers, regular technical support on our rental fleets, onsite technical support and inspection for our rental customers and emergency repairs. Our construction machinery, equipment and tools may be rented to customers on (i) a non-operated basis (without the provision of operators); or (ii) an operated basis (where we provide our operators to operate the equipment on customers' job sites). We also provide services such as equipment transportation and installation, skilled equipment operation, standby refuelling and maintenance, disassembling and other technical support.

As at the Latest Practicable Date, we owned a fleet of over 900 units of construction machinery and equipment of a wide variety, which include the following:

(a) Foundation works machinery, equipment and tools

These include tunnelling shields, rotary drilling rigs, hydraulic grab groove forming machines, static hydraulic piling machine, SMW construction pile machines, trenching machines and static pile drivers.



SMW construction pile machine



Rotary drilling rig

BUSINESS



Static hydraulic pile machine



Trenching machine

(b) Lifting and high reach machinery and equipment

These include tower cranes, crawler cranes, passage hoist and crane truck, which are primarily used in construction sites to move heavy objects and the main lifters in construction sites.



Crane truck



Crawler crane

(c) Earth moving machinery and equipment

These include hydraulic excavators, loaders and rollers, primarily used to move earth in construction works projects.



Hydraulic excavator

BUSINESS

(d) Demolition machinery and equipment

These include hydraulic breakers and crushers.



Hydraulic breaker

(e) Material handling machinery and equipment

Material handling equipment primarily comprises of semi-trailer towing vehicles and loaders.



Loader

Utilisation of our construction machinery, equipment and tools

The following table sets out the average utilisation rate of our major types of machinery respectively during the Track Record Period (which is calculated as the total number of days for which such types of machinery, equipment and tools were rented to our customers or deployed to our work sites in a financial year or period, divided by the total number of working days (assuming six working days per week):

	For the year ended 31 December			For the five months ended 31 May
	2016	2017	2018	2019
	%	%	%	%
Utilisation rate				
(a) Foundation works machinery, equipment and tools	31.6	66.6	80.9	70.3
(b) Lifting and high reach machinery and equipment	78.6	54.0	57.4	97.1
(c) Earth moving machinery and equipment	72.5	88.1	95.8	86.7
(d) Demolition machinery and equipment	90.9	87.6	92.7	92.4
(e) Material handling machinery and equipment	81.8	83.5	93.4	95.8

BUSINESS

Our Directors consider that the utilisation rate calculated based solely on the deployment of our machineries to our work sites and idle time of the machinery may not be an accurate indicator of the level of utilisation of our overall service capacity because:

- (i) different projects require different types of machinery, equipment and tools depending on their functions and it is therefore not entirely feasible to quantify the capacity of each piece of machinery, equipment and tools by making reference to an objective and comparable scale or standard of measurement; and
- (ii) as set out in the fixed asset register of our Group as at Latest Practicable Date, we had more than 900 units of construction machinery and equipment of various sizes and capacity. The utilisation rate of individual machinery, equipment and tools cannot be clearly defined. A typical construction works project requires the use of different machinery at different stages, and machinery, equipment and tools from time to time are left unused in active construction sites pending completion of other stages. Machinery, equipment and tools are also sometimes left unused for repairing or maintenance at work sites.

	As at 31 December						As at 31 May	
	2016		2017		2018		2019	
	<i>Average years used (Note 1)</i>	<i>Remaining useful life (Note 2)</i>	<i>Average years used (Note 1)</i>	<i>Remaining useful life (Note 2)</i>	<i>Average years used (Note 1)</i>	<i>Remaining useful life (Note 2)</i>	<i>Average years used (Note 1)</i>	<i>Remaining useful life (Note 2)</i>
(a) Foundation works machinery, equipment and tools	0.9	5.7	1.0	5.3	1.6	4.4	1.9	4.3
(b) Lifting and high reach machinery and equipment	1.8	6.7	2.7	5.8	3.4	5.0	3.7	4.7
(c) Earth moving machinery and equipment	0.4	9.6	0.8	9.2	1.6	8.4	2.0	8.0
(d) Demolition machinery and equipment	0.3	4.7	0.6	3.6	1.4	2.7	1.8	2.3
(e) Material handling machinery and equipment	1.9	5.9	2.1	4.2	2.9	3.6	3.2	3.3

Notes:

1. Calculation of the average number of years used of the equipment is based on the average number of years operated by us in respect of each type of equipment, i.e. from the date of acquisition by us to the date indicated above.
2. Calculation of the remaining useful life is based on the average of useful life of each equipment deducted by its years used. For this purpose, equipment with years used exceeding its useful life shall have nil remaining useful life.

BUSINESS

The following table sets forth our major construction machinery, equipment and tools as at 31 May 2019:

Name	Functions	Number	Units	Net book value <i>(RMB'000)</i>	Average years used <i>(years)</i>	Average remaining useful life <i>(years)</i>
Rotary drilling rig	A construction machinery for holing operation in construction foundation works and is a major equipment in holing of cast-in-place piles	28	Units	57,361	1.4	7.0
Hydraulic grabs for underground diaphragm wall	A construction machinery providing hydrocylinders with power through hydraulic power supplies to drive the opening and closing of two combined grabs on the left and right sides to grab and unload bulk materials and is a major equipment in the construction of underground diaphragm wall	3	Units	13,734	1.9	8.0
Static pile driver	A machine that reverses power to press piles into the ground with the weight and of the pile driver through the pile driving structure of the pile driver	8	Units	11,544	1.4	4.3
Crawler crane	A mobile crane with the part for lifting operation on the crawler base and moves with the crawler devices for lifting, transportation, loading, unloading, installment, and other operation	23	Units	18,726	2.0	7.5
Manipulators	Fixed manipulators of excavators are operation devices with fixed operation direction fixed in the front end of excavators for grabbing stones, steel, wood and other materials as the working mechanism of excavators	13	Units	13,917	2.0	7.3
Excavators	A multi-functional machinery widely used in water conservancy projects, transportation, power projects, mine exploitation and other machinery construction, which plays a key role in reducing the heavy physical labour, guaranteeing the project quality, speeding up in construction and improving the production efficiency.	92	Units	51,064	1.8	7.9
Pile drivers	It hangs the pile hammer for piling to direct the direction of piles after the suspended piles are in place and guarantee that the pile hammer strikes following the direction as required	12	Units	8,144	2.4	3.1
H-piles	It is a construction material mainly used in large constructions with the SMW pile construction.	38,843	Tons	59,394	1.9	1.1
Larssen sheet piles	A type of construction materials, that are used as retaining walls against earth, water and sands in the construction of bridges and cofferdams, the laying of large pipe network and the digging of temporary ditches and play an important role in projects as protection and retaining walls for ports and unloading wharfs.	12,045	Tons	27,645	1.5	1.5
Aluminium formwork	A type of construction formwork and is featured with light weight, flexible disassembly and assembly, high rigidity, long useful life, large board and few seams.	45,726	sq.m.	22,437	0.6	2.4

BUSINESS

3. Sewage treatment operation

Our operation

Upon completion of the construction of sewage treatment infrastructure, we commenced the operation phase of the BOT project. Set out below are the key details of our sewage treatment operation:

<u>Item</u>	<u>Description</u>
Location	West of Taiping Port, Xiazhou Village. Hangcheng Town, Changle District
Plant type	Sewage treatment plant for wastewater treatment
Prescribed concession period	To operate the sewage treatment plant until 30 April 2030
Treatment capacity	The sewage treatment plant is designed to have a total treatment capacity of 50,000 tonnes of wastewater per day
Tentative unit price	Tentative of RMB0.793/cubic meter of wastewater treatment subject to final adjustments by the relevant authorities
Unit price adjustment mechanism	The daily minimum volume of treated wastewater is set at 40,000 tonnes. Should the actual volume of treated wastewater exceed 40,000 tonnes per day, the price shall be determined by the unit price of the volume of treated wastewater
Environmental standards for disposal of sludge	The sewage treatment plant shall be operated in accordance with the following guidelines: (i) Disposal of sludge from municipal wastewater treatment plant-quality of sludge used in gardens or parks (GB/T 23486-2009); and (ii) Discharge standard of pollutants for municipal wastewater treatment plant (GB 8918-2002)
Quality standards of treated wastewater	The sewage treatment operation is subject to the following requirements: (i) the operator is required to establish water quality monitoring facilities in compliance with the rules and regulations set out by the relevant environmental department; (ii) the operator is required to deliver water quality control reports to the relevant environmental department periodically;

BUSINESS

Item	Description
	(iii) the operator is required to set up an online water quality monitoring system to assess the quality levels of incoming wastewater as well as outgoing and treated wastewater; and
	(iv) the sewage treatment plant shall be operated in accordance with the relevant guidelines, namely (a) Regulations for the design and technical specifications of the wastewater sampling scheme (水質採樣方案設計技術規定) (HJ495-2009); (b) Technical guidelines for wastewater sampling (水質採樣質素指導) (GB12998-91); (c) Monitoring and technical standards for the monitoring of surface water and wastewater (地表水和污水監測技術規範) (HJ/T91-2002); and (d) Regulations for the storage and management of wastewater samples (水質採樣樣品的保存和管理技術規定) (G112999-91)
Repair and maintenance	The operator shall conduct maintenance and inspection at the sewage treatment plant at least once a year

Under the arrangement, we are also responsible for the costs of repair and maintenance of the treatment facilities during the term of our concession. Upon expiry of the prescribed concession period, we are required to transfer the facility to the local government authority, or any third party that is designated by the government as the target of such transfer at nil consideration. Notwithstanding the above arrangement, we may be reappointed under a bidding process to continue the sewage treatment operation upon the expiry of the term of the concession.

Our sewage treatment process

Through the intermediary lifting pump room, we pump the Grade 1B tail water treated in the plant to the efficient sedimentation pool. After (i) mixing and stirring (quick stirring with PAC added); (ii) flocculation and stirring (slow stirring with PAM added); (iii) the sedimentation pool (the subsided sludge in the water is pumped to the sludge sedimentation pool in the plant through the sludge pump); and (iv) filtering the water through the inclined tube (the inclined tube can capture the tiny alum grains in the water and the liquid supernatant flows through the water collection tank), the tail water flows back to the tail water pump room after filtering through the fiber cloth filter and sterilisation in the ultraviolet disinfection pool.

BUSINESS

4. Others

To complement our business, we also engage in sales of construction materials and equipment on a standalone basis. These items are generally used by our customers in manufactured and/or modified by our Group.

OUR CONSTRUCTION WORKS PROJECTS

Under our construction works service segment, our Group principally acts as a subcontractor specialising in foundation works. To complement our foundation works service, we also engage in formwork and scaffolding works and other construction works. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our Group’s revenue attributable to construction works service amounted to approximately RMB75.2 million, RMB424.4 million, RMB1,087.9 million and RMB567.2 million, respectively. The table below sets forth our revenue attributable to construction service, by types of works during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May	
	2016		2017		2018		2019	
	RMB ('000)	(%)	RMB ('000)	(%)	RMB ('000)	(%)	RMB ('000)	(%)
Foundation works	40,088	53.3	333,272	78.5	874,308	80.4	313,919	55.4
Formwork and scaffolding works	35,153	46.7	91,091	21.5	139,990	12.9	219,035	38.6
Construction of								
sewage treatment infrastructure	–	–	–	–	42,254	3.9	–	–
Other construction works	–	–	–	–	31,344	2.8	34,220	6.0
Total	75,241	100	424,363	100	1,087,896	100	567,174	100

Projects by amount of revenue recognised during the Track Record Period

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, we engaged in eight, 70, 173 and 198 projects, respectively, which contributed to our revenue. The following table sets forth the breakdown of such contracts based on their respective range of revenue recognised during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2016	2017	2018	2019
	Revenue recognised			
RMB50,000,000 or above	–	1	2	–
RMB10,000,000 to below				
RMB50,000,000	4	13	26	19
RMB5,000,000 to below RMB10,000,000	–	9	29	12
Below RMB5,000,000	4	47	116	167
Total	8	70	173	198

BUSINESS

Projects completed during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we had completed 100 construction works projects with a total contract sum of approximately RMB912.5 million. The table below sets forth details of our ten largest projects completed in terms of total contract sum during the Track Record Period:

Project code	Location	Types of construction works	Commencement date (Note 1)	Completion date (Note 2)	Total contract sum	Revenue recognised for the year ended	Revenue recognised for the year ended	Revenue recognised for the year ended	Revenue recognised during the five months ended	
						31 December 2016	31 December 2017	31 December 2018	31 May 2019	
						(RMB' million)	(RMB' million)	(RMB' million)	(RMB' million)	
1.	BM000002	Gansu Province	Formwork and scaffolding	September 2016	December 2018	84.5	24.3	57.1	3.1	-
2.	BM000077	Fujian Province	Foundation works	January 2018	February 2019	54.3	-	-	53.3	0.9
3.	BM000125	Zhejiang Province	Foundation works	May 2018	April 2019	52.8	-	-	45.9	6.9
4.	BM000121	Fujian Province	Foundation works	June 2018	May 2019	45.2	-	-	44.9	0.3
5.	BM000089	Fujian Province	Construction of sewage treatment infrastructure	January 2018	June 2018	42.3	-	-	42.3	-
6.	BM000014	Jiangsu Province	Foundation works	January 2018	April 2019	40.0	-	-	40.0	-
7.	BM000037	Fujian Province	Foundation works	December 2016	December 2018	35.8	-	32.6	3.2	-
8.	BM000001	Gansu Province	Foundation works	September 2016	June 2017	34.8	21.2	13.6	-	-
9.	BM000115	Fujian Province	Foundation works	June 2018	May 2019	35.2	-	-	34.6	0.6
10.	BM000020	Shanghai City	Foundation works	January 2017	May 2019	30.9	-	30.7	-	0.2

Notes:

1. Unless otherwise specified, this refers to the contract date, the date of commencement of construction works which specified in the contract or the instruction issued by the customer's representative pursuant to the contract.
2. Unless otherwise specified, this refers to the date on which the percentage of completion of projects reached 100%.

BUSINESS

Projects on hand as at the Latest Practicable Date

As at the Latest Practicable Date, we had 177 projects on hand (including projects in progress and projects which were awarded to us but have yet to commence) with a total outstanding contract sum of approximately RMB1,093.3 million. Set forth below is a table summarising our Group’s ten largest ongoing projects (in terms of total contract sum) as at the Latest Practicable Date:

Project code	Location	Types of construction works	Expected commencement/commencement date (<i>Note 1</i>)	Expected completion date	Total contract sum	Revenue recognised for the year ended	Revenue recognised for the year ended	Revenue recognised for the year ended	Revenue recognised during the five months ended	Amount of revenue to be recognised after the	
						31 December 2016	31 December 2017	31 December 2018	31 May 2019	Track Record Period as estimate by management	
						(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	
1.	BM001230	Fujian Province	Foundation works	December 2018	May 2020	207.8	-	-	0.09	26.6	181.1
2.	BM000829	Fujian Province	Foundation works	January 2017	October 2020	206.6	-	115.4	6.4	0.7	84.1
3.	BM001337	Gansu Province	Foundation works	June 2019	December 2020	183.5	-	-	-	-	183.5
4.	BM001275	Shanghai City	Foundation works	April 2019	June 2020	126.6	-	-	-	10.3	116.3
5.	BM000004	Gansu Province	Foundation works	May 2018	September 2019	58.8	-	-	34.1	10.3	14.4
6.	BM001574	Gansu Province	Foundation works	June 2019	December 2019	50.1	-	-	-	-	50.1
7.	BM000072	Fujian Province	Formwork and scaffolding	March 2018	November 2019	50.0	-	-	13.1	30.4	6.5
8.	BM000056	Fujian Province	E&M engineering works	March 2018	April 2020	48.4	-	-	3.3	4.1	41.0
9.	BM001307	Guangdong Province	Foundation works	March 2020	August 2020	45.7	-	-	-	-	45.7
10.	BM001282	Fujian Province	E&M engineering works	April 2019	October 2020	44.7	-	-	-	0.7	44.0

Notes:

1. Unless otherwise specified, this refers to the date of commencement of construction works, which specified in the contract or the instruction issued by the customer’s representative pursuant to the contract or the expected commencement date established by our management.
2. Unless otherwise specified, this refers to the expected completion date estimated by management or as later agreed upon with our customers.

BUSINESS

Movement of our backlog

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

	For the year ended 31 December			For the five months ended 31 May	From 1 June 2019 to the Latest Practicable Date
	2016	2017	2018	2019	Date
	Opening number of projects <i>(Note 1)</i>	nil	11	59	141
Number of new projects awarded to us <i>(Note 2)</i>	12	68	113	64	20
Number of projects completed <i>(Note 3)</i>	1	20	31	38	10
Ending number of projects <i>(Note 4)</i>	11	59	141	167	177

Notes:

1. Opening number of projects means the number of awarded projects where the percentage of completion had not yet reached 100% as of the beginning of the relevant year/period indicated.
2. Number of new projects means the number of new projects awarded to us during the relevant year/period indicated.
3. Number of projects completed means the number of projects where the percentage of completion reached 100% during the relevant year/period indicated.
4. Ending number of projects is equal to the opening number of projects plus number of new projects minus number of projects completed during the relevant year/period indicated.

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

	For the year ended 31 December			For the five months ended 31 May	From 1 June 2019 to the Latest Practicable Date
	2016	2017	2018	2019	Date
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Opening contract value of backlog	nil	154.0	706.2	1,232.1	1,315.6
Total contract value of new projects awarded <i>(Note 1)</i>	229.2	976.6	1,613.8	650.7	164.6
Revenue recognised	75.2	424.4	1,087.9	567.2	386.9
Ending contract value of backlog <i>(Note 2)</i>	154.0	706.2	1,232.1	1,315.6	1,093.3

Notes:

1. Total contract value of new projects awarded means the contract sum of new projects awarded by our customers in the relevant year/period indicated.
2. Ending contract value of backlog means the opening contract value plus contract value of new projects minus revenue recognised during the relevant year/period indicated.

BUSINESS

SALES AND MARKETING

Through the efforts of our sales and marketing team, we have established solid relationships with many of our customers. During the Track Record Period, our business opportunities mainly arose from two sources, namely, (i) tender invitations; and (ii) requests for quotations from customers. Our Directors believe that our reputation in the construction industry, proven track record and well-established relationship with our existing customers enable us to capture business opportunities through the abovementioned sources.

PRICING POLICY

Construction works service

Our pricing is generally determined on a cost-plus model with a markup, which is determined on a project-by-project basis. When determining the profit margin for a construction works project, we take into account factors which include, but are not limited to (i) the nature, scope and complexity of the project; (ii) our current ongoing projects; (iii) the completion time requested by customers; (iv) the prevailing market conditions; (v) the relationship and familiarity with customers; (vi) the previous tender record; (vii) awarded tenders of similar projects; and (viii) the price of potential competitors.

Leasing of construction machinery, equipment and tools

We provide flexible rental terms, generally on a daily or monthly basis. When determining the rental rates for our leasing fleet we take into account factors which include, but are not limited to (i) the purchase and maintenance costs of the construction machinery, equipment and tools; (ii) expected utilisation rate; (iii) quantity of available equipment; (iv) market pricing and demand; (v) general market conditions; and (vi) our scope of service (ie. whether installation and machinery and equipment operator is required). We may also adjust rental rates based on the quantity of machineries being leased, duration of the leasing and other competitive considerations. We maintain a leasing price list for our machineries which is periodically reviewed for potential price adjustments.

BUSINESS

CUSTOMERS

Our five largest customers during the Track Record Period

Our customers, include state-owned construction enterprises and real estate developers. The table below shows our five largest customers by revenue contribution during the Track Record Period, and their background information:

For the year ended 31 December 2016

Rank	Customer	Principal business and background	Year in which business relationship commenced	Services rendered/ products sold by our Group	Revenue	Percentage to the revenue of our Group for that year
					<i>(RMB million)</i>	<i>(%)</i>
1.	Customer A	One of the largest investment and construction groups in the PRC which includes a stated-owned enterprise directly managed by the PRC Government to the PRC construction industry	2013	Foundation works, formwork and scaffolding works, leasing of construction machinery, equipment and tools and others	130.4	83.2
2.	Customer B	A group of companies engaged in real estate development	2016	Foundation works	21.2	13.5
3.	Fujian Runjiang	An investment holding company	2015	Leasing of construction machinery, equipment and tools	2.4	1.5
4.	Customer C	A construction contractor based in Fujian Province which also provides building decoration services	2015	Leasing of construction machinery, equipment and tools	1.2	0.8
5.	Customer D	A construction contractor based in Fujian Province which also engaged in road construction and foundation works	2016	Foundation works	0.9	0.6
				Sub-total for five largest customers	156.1	99.6

BUSINESS

For the year ended 31 December 2017

Rank	Customer	Principal business and background	Year in which business relationship commenced	Services rendered/ products sold by our Group	Revenue <i>(RMB million)</i>	Approximate percentage to the revenue of our Group for that year <i>(%)</i>
1.	Customer A	One of the largest investment and construction groups in the PRC which includes a stated-owned enterprise directly managed by the PRC Government to the PRC construction industry	2013	Foundation works, formwork and scaffolding works, leasing of construction machinery, equipment and tools and others	346.5	69.5
2.	Customer E	A group of companies based in Fujian Province and engaged in investment, construction, operation and management of infrastructure	2017	Foundation works	49.7	9.9
3.	Customer B	A group of companies engaged in real estate development	2016	Foundation works	36.8	7.4
4.	Customer F	A company based in Fujian Province which is engaged in repair and maintenance of motor vehicles and sales of construction materials	2016	Foundation works	10.4	2.1

BUSINESS

Rank	Customer	Principal business and background	Year in which business relationship commenced	Services rendered/ products sold by our Group	Revenue	Approximate percentage to the revenue of our Group for that year
					<i>(RMB million)</i>	<i>(%)</i>
5.	Customer G	A group of construction contractors based in Fujian Province which is engaged in building construction, municipal public works and foundation works	2017	Foundation works, other construction works and leasing of construction machinery, equipment and tools	6.5	1.3
Sub-total for five largest customers					449.9	90.2

For the year ended 31 December 2018

Rank	Customer	Principal business and background	Year in which business relationship commenced	Services rendered/ products sold by our Group	Revenue	Approximate percentage to the revenue of our Group for that year
					<i>(RMB million)</i>	<i>(%)</i>
1.	Customer A	One of the largest investment and construction groups in the PRC which includes a stated-owned enterprise directly managed by the PRC Government to the PRC construction industry	2013	Foundation works, formwork and scaffolding works, leasing of construction machinery, equipment and tools and others	658.7	55.2
2.	Customer E	A group of companies based in Fujian Province and engaged in investment, construction, operation and management of infrastructure	2017	Foundation works and other construction works	127.4	10.7
3.	Customer B	A group of companies engaged in real estate development	2016	Foundation works	121.5	10.2

BUSINESS

Rank	Customer	Principal business and background	Year in which business relationship commenced	Services rendered/ products sold by our Group	Revenue	Approximate percentage to the revenue of our Group for that year
					<i>(RMB million)</i>	<i>(%)</i>
4.	Customer H	A group of real estate developers based in Guangdong Province	2018	Foundation works	72.5	6.1
5.	Customer I	A government authority based in Fuzhou City, Fujian Province	2018	Construction of sewage treatment infrastructure	44.6	3.7
Sub-total for five largest customers					1,024.7	85.9

For the five months ended 31 May 2019

Rank	Customer	Principal business and background	Year in which business relationship commenced	Services rendered/ products sold by our Group	Revenue	Percentage to the revenue of our Group for that period
					<i>(RMB million)</i>	<i>(%)</i>
1	Customer A	One of the largest investment and construction groups in the PRC which includes a stated-owned enterprise directly managed by the PRC Government to the PRC construction industry	2013	Foundation works, formwork and scaffolding works, leasing of construction machinery, equipment and tools and others	435.6	71.2
2	Customer G	A group of construction contractors based in Fujian Province which is engaged in building construction, municipal public works and foundation works	2017	Foundation works, other construction works and leasing of construction machinery, equipment and tools	37.5	6.1
3	Customer H	A group of real estate developers based in Guangdong Province	2018	Foundation works	35.8	5.8

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Rank	Customer	Principal business and background	Year in which business relationship commenced	Services rendered/ products sold by our Group	Revenue	Percentage to the revenue of our Group for that period
					<i>(RMB million)</i>	<i>(%)</i>
4	Customer B	A group of companies engaged in real estate development	2016	Foundation works	31.6	5.2
5	Customer E	A group of companies based in Fujian Province and engaged in investment, construction, operation and management of infrastructure	2017	Foundation works	9.5	1.6
				Sub-total for five largest customers	550.0	89.9

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our five largest customers contributed approximately 99.6%, 90.2%, 85.9% and 89.9%, respectively, of our total revenue, respectively, while our largest customer accounted for approximately 83.2%, 69.5%, 55.2% and 71.2%, respectively, of our total revenue for the corresponding period.

Our Directors have confirmed that, except for Fujian Runjiang, all of our five largest customers during the Track Record Period were independent third parties and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, owned more than 5.0% of the number of our issued shares, had any interest in any of these customers.

BUSINESS

Major contract terms with our customers

Set forth below are the major contract terms with our customers:-

(i) Construction works service

Set out below is a summary of the typical key terms of our contracts with our customers:-

Scope of works

The contract contains the scope of work, project design, layout, project team composition, materials required and the expected date of completion of the work.

Contract price

The contract price is either expressed in a total amount for undertaking the project, or in unit price for a particular piece of work with a total volume of such work agreed to be undertaken by us.

Adjustment in contract price may also be allowed in cases of variation of work scope, volume of work or change in work design (in the absence of fault on the part of the contractor) or upon the occurrence of force majeure events.

Payment terms and payment method

After commencement of the project and subject to the terms of the contract, we would submit progress reports to our customer periodically, indicating the volume of work that we have performed. Subject to the certification of work by our customers or the relevant professionals appointed by our customers, we would be entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified volume of work completed.

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For the provision of our construction services, we normally receive progress payment from customers by stages with reference to the contract value of works done. Generally, our customers settle progress payment with our Group with reference to the works completed by us as certified by our customers or relevant professionals appointed by our customers. Our customers or relevant professionals of the project will examine the portion of work completed regularly and issue a progress certificate, upon satisfaction that such work stage had been duly completed, which normally takes about several weeks. We shall then proceed with billing the customer with the progress certificate received.

Variation to the works

Our customers are typically entitled to request us to carry out variation works, which may involve the alterations or modifications of the design, quality or quantity of the works as described in the contract.

The variation order entitles us to receive payments on our works performed under the variation order.

Quality assurance

We provide quality assurance in respect of work undertaken by us. During the defect liability period, we are responsible for rectifying the defects in respect of works undertaken by us, and such period typically lasts for 24 months.

During the Track Record Period, we did not incur any costs of significant amount to rectify any defective work.

Indemnity and insurance

It is the obligation of the main contractor in a construction works project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Under our contracts, we are required to report any accident or injury which occurs to our staff and/or our subcontractor's staff to the main contractor within a stipulated time.

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Retention money

Retention money may be retained by our customers in order to secure our due performance under the contract. The amount of retention money usually represents in a range of between 3.0% and 5.0% of the contract value.

Performance deposits

We may be required to provide a performance deposits amounting to not more than 5.0% of the contract sum to our customer to secure the performance of our contractual obligations, subject to the terms and conditions stipulated in the contract.

Termination

In the event of termination of the main contract entered into between our customer, as the main contractor, and its customer, our contract with our customer will also be terminated accordingly.

In the event of default such as our failure to proceed with the contract work diligently, being adjudged bankrupt or going into liquidation or a petition having been filed for bankruptcy against us or we are being abandoned or suspended to carry out the contracted works, our customer may terminate the contract by giving notice.

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(ii) Leasing of construction machinery, equipment and tools

We generally require our customers to enter into a leasing agreement with us before the provision of our leasing services. The typical key terms of our leasing agreements in respect of construction machinery, equipment and tools are as follows:-

Lease period	<p>We provide flexible leasing terms, generally on a daily or monthly basis, which vary depending on the type of construction machinery, equipment and tools being leased, as well as the customers' specific needs.</p> <p>Generally, there is a minimum leasing period of three months in which the customer shall pay rental rates for the entirety of such period even in the event of early termination.</p>
Rental rate	<p>During the Track Record Period, the rental rate is determined with reference to the lease period. Depending on our customers' requests, the price of operators and installation may also be included.</p>
Payment terms	<p>We generally require monthly payment.</p>
Inspection and repair	<p>For certain heavy construction machinery, equipment and tools, we are required to provide regular repairs and maintenance. In the event that there are defects, damages or repairs are needed for our equipment, our customers are required to notify us of such issues, such that we will to make good such defects or damages.</p>
Termination	<p>If our customers default in payment of rental fees, we shall be entitled to take repossession of the construction machinery, equipment and tools.</p>

We generally provide a credit periods of 90 days to 180 days for construction works projects and 30 days to 90 days for construction machinery, equipment and tools leasing. We continuously monitor and evaluate overdue payments on a case-by-case basis with appropriate follow-up actions accordingly. We take into consideration the customer's normal payment practice and payment history, our relationship with the customer and the general economic environment. During the Track Record Period, follow-up actions by our Group for recovering overdue payments included the issue of repetitive payment reminders and active communications with our customers.

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During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We are not aware of any of our major customers having experienced material financial difficulties that may materially affect our Group’s business and financial position. Our Directors further confirm that we did not have any material dispute with our customers.

Customer concentration

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, the percentage of our revenue attributable to our five largest customers amounted to approximately 99.6%, 90.2%, 85.9% and 89.9%, respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 83.2%, 69.5%, 55.2% and 71.2% for the corresponding year or period.

Our relationship with Customer A, our largest customer throughout the Track Record Period

Customer A is one of the largest investment and construction groups in the PRC and includes a state-owned key enterprise in the PRC construction industry directly managed by the PRC Government. During the Track Road Period, we had business relationship with 11 of its subsidiaries. One of its subsidiaries was listed on the Shanghai Stock Exchange, which in turn is either the controlling shareholder or a parent company of other listed companies and subsidiaries. As one of the subsidiaries of Customer A and one of our customers who contributes most of our revenue within Customer A, CSCEC Strait Construction and Development Co., Ltd (中建海峡建設發展有限公司) is regionally headquartered in Fujian Province and the largest main contractor in Fujian Province according to the F&S Report.

We have had a business relationship with Customer A since 2013. We mainly provide construction services and leasing of construction machinery, equipment and tools to Customer A. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, revenue generated from Customer A amounted to approximately RMB130.4 million, RMB346.5 million, RMB658.7 million and RMB435.6 million, respectively, representing approximately 83.2%, 69.5%, 55.2% and 71.2% of our total revenue, respectively for the corresponding period, respectively. Our Group’s success rate for tenders submitted to Customer A were approximately 86.4%, 73.1%, 76.2% and 80.0%, respectively. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, the tender success rates for our tenders submitted to Customer A is higher than our overall tender success rates of 69.1%, 52.8%, 57.9% and 49.1%, respectively. Our Directors believe that our stable and sustainable business relationship with Customer A since 2013 contributed to such a relatively high tender success rates.

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

	For the year ended 31 December			For the five months ended 31 May	From 1 June 2019 to the Latest Practicable Date
	2016	2017	2018	2019	Date
	Opening number of projects <i>(Note 1)</i>	nil	8	34	77
Number of new projects awarded to us <i>(Note 2)</i>	8	36	56	22	4
Number of projects completed <i>(Note 3)</i>	nil	10	13	16	–
Ending number of projects <i>(Note 4)</i>	8	34	77	83	87

Notes:

1. Opening number of projects means the number of awarded projects where the percentage of completion had not yet reached 100% as of the beginning of the relevant year/period indicated.
2. Number of new projects means the number of new projects awarded to us during the relevant year/period indicated.
3. Number of projects completed means the number of projects where the percentage of completion reached 100% during the relevant year/period indicated.
4. Ending number of projects is equal to the opening number of projects plus number of new projects minus number of projects completed during the relevant year/period indicated.

The following table sets out the movement in the contract value of backlog of our projects awarded by Customer A during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the five months ended 31 May	From 1 June 2019 to the Latest Practicable Date
	2016	2017	2018	2019	Date
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Opening value of backlog	nil	46.8	285.8	714.9	652.3
Total contract value of new projects awarded <i>(Note 1)</i>	177.2	585.5	1,087.8	373.0	65.0
Revenue recognised	130.4	346.5	658.7	435.6	248.3
Ending value of backlog <i>(Note 2)</i>	46.8	285.8	714.9	652.3	469.0

Notes:

1. Total contract value of new projects awarded means the contract sum of new projects awarded by our customers in the relevant year/period indicated.
2. Ending value of backlog means opening contract value plus contract value of new projects minus revenue recognised during the relevant year/period indicated.

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Subsequent to the Track Record Period and up to the Latest Practicable Date, 20 new projects were awarded to us. Among these, four were awarded by Customer A and the rest were awarded by other customers. The 20 new projects had a total contract sum of approximately RMB164.6 million of which approximately RMB65.0 million was attributable to Customer A.

Contractual relationship with Customer A

Similar to the general practice between our Group and other customers, we enter into agreements with Customer A on a project-by-project basis mainly through bidding process. Our agreements with Customer A generally contain material terms including (i) the specifications and conditions of the subcontracting work between Customer A and our Group; (ii) description of the payment terms; and (iii) liability and which party bears the risks.

Reasons for our customer concentration

Our Directors consider that the reasons for our customer concentration during the Track Record Period is a combination of the following key factors:

(i) Scale of operation

In the foundation works market, industry players which are small to medium sized companies may possess limited resources, in terms of specialised machinery, construction materials and skilled manpower. Therefore, given the limited capacity of subcontractors, subcontractors may focus on a few projects with considerable contract sum concurrently and allocate more resources to serve a limited number of main contractors with whom they have well-developed relationship. According to the F&S Report, CSCEC Strait Construction and Development Co., Ltd. is the largest main contractor in Fujian Province in terms of revenue in 2018. As a result, the relevant customer may due to the industry characteristic, become our major customers in terms of revenue contribution to us as it would normally require services from subcontractors including our Group for its construction works projects.

(ii) Valued business partners

Our Group is able to maintain stable and sustainable relationships with our major customers. We commenced our business relationship with Customer A in 2013. According to the F&S Report, reputation and proven practical industry experience are important competitive factors in the construction industry in the PRC. While main contractors may prefer subcontractors with good reputations and proven practice industry experience, our Directors consider that renowned main contractors like Customer A to be our preferred customer as they can help to enhance our reputation, provide strong job reference and reinforce our position within the industry. Throughout our dealings, we believe our Group and Customer A have developed, to a certain extent, a stable and sustainable business relationship in terms of cost effectiveness, efficient communication and satisfactory level of service quality.

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Our Directors further consider that our customer concentration is a result of our strategic decision to collectively capture construction works projects which may be larger in scale but are commercially sound and economically promising which maximise our Group's available resources. Taking into account of our then available resources, historically we have been inclined to stay focused in accommodating Customer A's demands for our services as far as our resources allowed. Going forward, while we intend to maintain a stable relationship with Customer A, we have no intention to limit ourselves to serving only Customer A and our Directors believe that if we are able to strengthen our resources including but not limited to our fleet of construction machinery, equipment and tools, we expect that our customer base will become more diversified and the extent of our customer concentration is expected to remain stable in the future.

Our reliance on Customer A would not affect our business prospects and sustainability

Our Directors are aware of the risk of high customer concentration. In this connection, whilst we have, on the one hand, continued to provide services to and maintain good relationship with Customer A, we have on the other hand, continued to identify business opportunities and undertake projects with other customers in order to reduce our customer concentration on Customer A. Our Directors expect that we will continue to secure projects from customers other than Customer A to lessen the extent of customer concentration for the year ending 31 December 2019 and onward.

Our Directors consider that the substantial revenue contribution from Customer A to us and our customers concentration during the Track Record Period will not affect our business prospect and sustainability of our business based on the following reasons:

(i) Transferability of our skills

Our Directors believe that we have established a solid track record for offering construction services which specialise in providing one-stop solutions in foundation works solutions to our customers. Our Group's business model and the quality services provided by us are adaptable in serving different customers' needs. Furthermore, we have rapidly developed as a regional foundation works service provider with a leading position in Fujian Province, and extend our footprint across a number of provinces in the PRC. Our Directors consider that our business relationship with Customer A and our proven track record can be regarded as a credit to our ability to offer quality services to customers in the foundation works market in the PRC, in particular Fujian Province and the Yangtze River Delta Megalopolis. This will in turn attract more potential customers with sizeable scale of operation, which our Directors believe, usually adopt stringent approach in their selection of construction subcontractors in a region. In addition, our Directors believe that the development of our business relationship with Customer A enables us to better understand (i) the criteria and requirements and quality standard of large scale construction companies; and (ii) the key elements and strategies for effective project management and operation which could be replicated to other construction works projects. Furthermore, we possess qualifications and licenses in foundation works such as the first class professional contractor for foundation engineering works (地基基礎工程專業承包一級), and we also possess a wide range qualifications and licenses, including but not limited to first class professional contractor in lifting equipment installation works (起重設備安裝工程專業承包一級) and second class professional

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contractor for building mechanical and electrical installation projects (建築機電安裝工程專業承包二級). Such qualifications enable us to tender for various types of construction works. Hence, if we were to lose our business relationship with Customer A, with our solid track record in the market and expertise, our Group can avail our resources to undertake other construction works projects. Our Directors are of the view that, our services and related skills can be readily transferred to serve other potential new customers. Based on our experience, we foresee that it would not incur significant costs for our Group to re-allocate our resources to serve new customers.

(ii) We have established a stable relationship with Customer A

Our Directors consider that we have maintained a stable and uninterrupted business relationship with Customer A during the Track Record Period. We believe that we have acquired a good understanding of Customer A's philosophy, practice and requirements. We are Customer A's Class A quality supplier and we believe that we have met the requirements set by Customer A throughout our business relationship with Customer A. Our Directors believe that we can continue to do so in the future. In this regard, our Director believe that it is economically and commercially unlikely for Customer A to change the current business relationship with our Group as Customer A may face the risk of interruption in its operation.

(iii) Continuous demand of foundation works in PRC

According to the F&S Report, the construction industry in the PRC has been supported by various governmental policies over the years. In 2017, the State Council issued “Opinions of Promoting Sustainable and Healthy Development of Construction Industry” (《關於促進建築業持續健康發展的意見》) which has outlined the promotion of quality and safety of construction works, and the sustainable development of the industry in the coming years. Moreover, the “13th Five-Year Plan for Development of Construction Industry” (《建築業發展“十三五”規劃》) also laid out the growth target of the construction industry at around 7.0% during 2016 to 2020. As a result, such favourable policies are expected to provide a positive growth impetus to the foundation works market in the PRC. In addition, according to the National Bureau of Statistic of China, the urbanisation rate of the PRC has reached 59.5% in 2018. “National Plan of New-type Urbanisation (2014-2020)” (《國家新型城鎮化規劃 (2014-2020)》) has also stated that the urban population is forecasted to reach 60.0% by 2020. With the increasing urban population in the coming years, the demand for infrastructure development, namely transportation, water usage facilities, as well as housing demand will increase and hence further drive the growth of the foundation works market, construction equipment leasing market. Meanwhile, the growth of fixed asset investments in the PRC, in particular the infrastructure and real estate sectors has been a major factor underpinning the rapid development of construction industry of the PRC recently. According to the National Bureau of Statistics of China, investment in real estate in 2018 has reached RMB12.0 trillion, representing a CAGR of 6.9% from 2013 to 2018. In addition, the adoption of public-private partnerships has facilitated with reducing the burden on local governments. Thus the increasing investment in the real estate sector has directly driven the growth of the construction industry and inturn, the foundation works market in the PRC. According to the F&S Report, the rising demand for real estate in the PRC will be the major impetus driving future growth of the foundation works market which is expected to reach RMB4.4 trillion by 2023, representing a CAGR of 7.1% from 2019 to 2023. Accordingly, with our resources, qualifications

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and licenses, our Directors believe that opportunities are plentiful and our Group will be able to participate in new projects and develop our customer base in the long run.

(iv) We shall continue to diversify our customer base and our Directors believe that the extent of customer concentration will become stable in the future

Our Directors believe that in the unlikely event that our current business relationship with Customer A deteriorates or ceases, with our solid track record and business network within the construction markets in Fujian Province and the PRC, our Group will be able to respond to market challenges and adjust our business direction swiftly to face any such challenges. As part of our plan to diversify our pool of customer base and broaden our revenue stream in the long run, we will continue to maintain a stable business relationship with Customer A on the one hand; and identify potential sizeable customers whom we consider to have good market potential and to develop working relationship with them.

Our Directors believe that, with our experience and proven track record in the foundation works market, our investment in construction machinery, equipment and tools, and strong in-house R&D team, we will be able to replicate the success of our relationship with Customer A with other main contractors. During the Track Record Period, we managed to secure projects from new customers including certain more sizeable ones, in each of the financial years and we have no intention to limit ourselves to serve only Customer A.

(v) We believe that we are capable of maintaining business growth

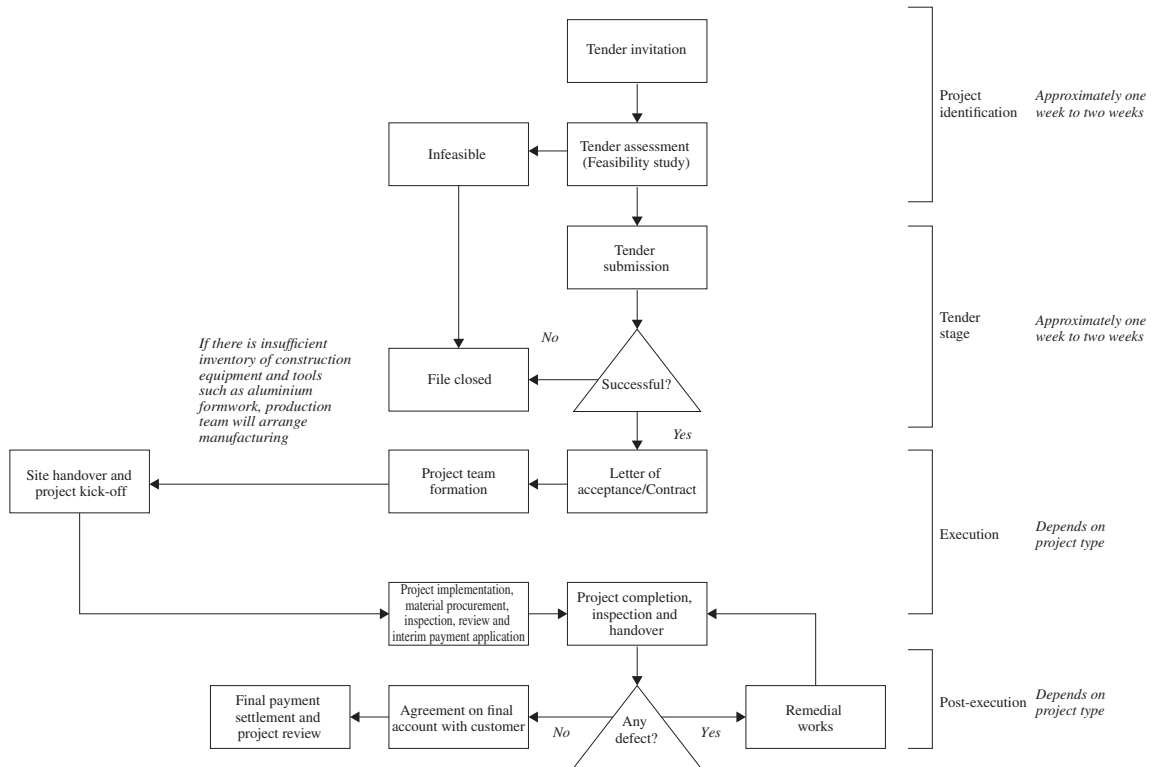
Our Directors believe that opportunities are plentiful and our Group will be able to participate in new projects, and develop and grow our customer base in the long run. For further details of our business strategies and future plans, please see “Business Strategies” above.

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OPERATION FLOW

1. Construction services

Our construction works service are provided to customers on a project-by-project basis. For illustration purposes, a simplified flow diagram of our key operational procedures relating to our construction works projects is set out below:



(i) Project identification

Tender invitation

During the Track Record Period, most of our projects were awarded to us following invitations to tender. Our customers mainly invite us to submit tenders by way of invitation letters or verbal invitations.

Tender assessment and feasibility study

During this stage, we are usually provided with preliminary information on the specifications, site conditions and relevant drawings. For some projects, we are required to submit certain information such as track record, key personnel and financial information for tender assessment by the customers before we are shortlisted and invited to submit our tenders.

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Upon receiving an invitation to tender or identifying a suitable tender opportunity, our tender and contract team will evaluate and conduct a feasibility study of the potential project. We generally take into account the following factors, namely (i) the profitability of the project; (ii) the technical specifications, our capacity and expertise, our project on hand and our then available labour and financial resources; (iii) cost of materials and labours; (iv) project schedule; (v) preliminary safety and environmental risk analysis and other relevant risk factors associated with such project; and (vi) estimated capital commitment.

Our tender and contract personnel will also communicate with other departments such as the finance and accounts personnel before reaching a preliminary report on the feasibility of a tender opportunity, which will then be submitted to our senior management for review and final decision. If a project is considered to be commercially and technically viable, our tender and contract personnel will then proceed to prepare the submission of tender.

(ii) Tender stage

Tender submission

Depending on the specific requirements set out by different customers, we will prepare documents for the submission of tender to our customers accordingly. Such tender submission typically includes preliminary price quotation, proposed project schedule and an outline of each construction stage as well as a schedule of rates, which primarily includes the rates charged for materials, construction machinery, equipment and tools, and labour.

Post-submission query

Once a customer decides to engage us, it will usually inform us of its acceptance of our tenders by issuing a letter of acceptance.

Our tender success rate

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our overall tender success rate was approximately 69.1%, 52.8%, 57.9% and 49.1%, respectively. To maximise the utilisation of our available manpower and resources, we submitted more tenders than our available capacity. Our Directors believe that such practice is in line with the industry norm and will allow us to be constantly engaged in potential opportunities. Despite the downward trend of our tender success rate, the total contract value of our new projects awarded and the total contract value of projects in backlog were increasing during the Track Record Period, our Directors believe our overall tendering performance is satisfactory.

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Set forth below is a table summarising our tender success rates during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2016	2017	2018	2019
Number of tenders submitted	55	125	233	53
Number of contracts awarded to our Group	38	66	135	26
Success rate (%) (<i>Note</i>)	69.1	52.8	57.9	49.1

Note: Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during the stated financial year/period by the number of tenders submitted during the financial year/period.

(iii) Execution

Once a customer decides to engage us, it will inform us of its acceptance of our tenders by issuing a letter of acceptance. A formal agreement will then be entered into between the customer and our Group. For details of the salient terms of our typical contract, please see “Major contract terms with our customers” above.

(a) Project team formation

Depending on the scale and complexity of a project, the project team that is formed generally comprises the following key personnel: a technical personnel, a project manager, site workers, a safety manager and a production manager. Our project team is responsible for devising a preliminary plan for carrying out the project in order to ensure that the project can be executed effectively and efficiently. This preliminary plan also contains the arrangements with our suppliers (if necessary), the deployment of labour, construction machinery, equipment and tools and general health, safety and environmental plans for the project.

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The table below sets out the major responsibilities of each key member in a project team:

Project team member	Major responsibilities
Project manager	<ul style="list-style-type: none">• Conduct overall planning and control project budget • Monitor work efficiency • Ensure compliance with contractual and statutory requirements
Technical personnel	<ul style="list-style-type: none">• Supervise the overall site operation • Advise on construction sequences and methodologies
Production manager	<ul style="list-style-type: none">• Oversee production activities of our factory
Safety manager	<ul style="list-style-type: none">• Implement safety plan and improve staff and workers safety awareness
Site workers	<ul style="list-style-type: none">• Organise site works to be carried out to the required standard

(b) Construction phase

Throughout the construction phase, our project team will regularly conduct inspections to ensure that the subject structure is in accordance with our customer’s specifications, and that our workers are in compliance with the relevant PRC laws and regulations. Periodic meetings are also convened between our customers and us to update the construction progress of the project. Depending on the complexity and scale of our projects, construction phases typically last for three months to 36 months.

Monitoring the project progress

Our project team is responsible for monitoring the work progress, costs incurred and quality of works and allocating sufficient resources such as staff and machinery and equipment in carrying out the contract in order to ensure that both our customer’s requirements and statutory requirements can be met. Generally, the project team is required to review the project progress regularly so as to ensure that the project progress is in accordance with the schedule set by our customers. Our customers settle progress payments with our Group with reference to the work completed by us, which will be certified by our customers or relevant professionals. Our customers or the relevant professionals will then issue progress certificate to us based on our work done. We will then proceed with billing the customer with the progress certificate received for certifying the actual work done under the contract. Our Directors confirmed that our Group did not experience any material costs overrun, material disputes with our customers or subcontractors and material delay or disruption in our construction works during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Our Directors consider that maintaining effective, frequent and communications with customers is important to enhance our customers' satisfaction. As such, our project team will review the progress of our work implementation, maintain close contact with our customers and report to them regarding the construction progress and resolve any problem which may arise when carrying out the contract works. The project manager is also responsible for communicating with our customer any additional or variation works to be undertaken by our Group, which may entitle us to additional payments under the variation orders, instructions and seeking feedback from customers.

Customer inspection and application for progress payment

In addition to our quality monitoring as described above, our customers also inspect our works done from time to time in order to monitor our work quality and to confirm completion of the relevant works done before our interim payment applications are certified. Upon completion of such inspection, our customer may issue a report specifying defects that need to be rectified by us (if any).

Payment settlement

During the course of our projects, we typically submit work-in-progress applications to our customers periodically, which generally include (i) our estimated value of work and/or services completed during the period between our previous and current period cut-off dates; and (ii) proposed payment amount to be settled by our customers based on such estimated value of work and/or services completed and calculated at certain percentage in accordance with the stipulated terms and conditions of the respective contracts. The period cut-off dates of such work-in-progress applications vary from project to project and are also typically specified in the contracts. Typically, the customers or the relevant professionals employed by our customers will review our work-in-progress applications, and inspect and certify the value of the work and/or services completed by us during such period. Once our customers agree with our work-in-progress applications, they will arrange payment in accordance with the payment amount in our work-in-progress applications within a specified period of time according to the terms specified in the contracts.

During the Track Record Period, ageing of our trade and bills receivables was relatively long, primarily as a result of our longer receivable collection period due to the fact that our major customers were Chinese state-owned enterprises and key players in the PRC construction industry who generally have long internal financial procedures.

BUSINESS

After we have substantially completed all our contracted work and/or services, we and our customers will conduct a final inspection and certification of the project. Thereafter, our customers will generally notify us in writing to confirm the project completion date and the commencement date for the defect liability period, which typically lasts for 24 months. Generally, our customers will have settled the majority of our payment, including our performance deposit, upon completion of the projects according to the terms specified in the contracts, and our customers will release our retention money, which generally amounted 3.0% to 5.0% of our total projects' contract value, upon expiry of the defect liability period. During the defect liability period, we are responsible for rectifying defects in relation to our work and/or services performed. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material defects claimed by our customers in relation to our construction works completed.

Procurement of materials

Our project team is also responsible for procuring suitable construction materials if required under the projects. For details of procurement of suppliers, please see "Our Suppliers" below. If the project requires additional machinery and/or equipment to meet the project requirements, our project team will also be responsible to provide such additional machinery.

(c) *Post-construction inspection and handover to our customers*

Upon substantial completion of the construction works, our customer and the relevant professionals will conduct a post-construction inspection. After such inspections, the construction works will officially be handed over to our customer as substantially completed construction works.

(iv) Post-execution

(a) *Completion and preparation of accounts*

Our finance team is responsible for reviewing the final account of the project issued by individual customers. Typically, negotiation and discussion between us and our customers for the final contract sum during the preparation of final accounts is common in the construction industry. As such, there may be a time gap between the completion of works and the final settlement of the construction works project as it generally takes several months for our Group and our customers to agree to the final settlement amount for the final account.

BUSINESS

(b) Defect liability period

After the completion of all the construction works and the professional representatives of our customers have certified the works duly completed (if so required under the contract), our customers will issue a practical completion confirmation. The defect liability period which normally lasts up to 24 months will commence. During this period, we are required to rectify any defects which are caused either by defective materials, goods or substandard workmanship. At the same time, if our customers have withheld retention money under the contract, the customers will release part of the retention money to us upon completion of the works under the contract. Meanwhile, we will negotiate with our customers to achieve an agreement on final account. When the defect liability period expires, the professional representatives of the customers will carry out a joint on-site inspection. After they have certified that there are no uncompleted items of works for the contract, the remaining retention money will be released to us.

Regarding our formwork and scaffolding works project, since formwork is generally a temporary structure and most of the formwork panels have to be removed after the concrete has gained adequate strength to withstand by itself, the defect liability period generally applied in construction contracts may not be applicable to formwork contracts with our customers. However, in the course of our works, in particular after the concrete pouring and striking process, we are liable for the remedial formwork works if the concrete structure does not form the desired shape due to the failure of the formwork constructed by us. During the Track Record Period and up to the Latest Practicable Date, no material compensation in relation to our quality of works nor liquidated damages had been claimed by our customers.

Upon the expiry of the defect liability period, our customer will conduct a final series of inspection of the construction works. Upon confirming that the construction works are in order, a final completion confirmation will be issued to us. Our customer will issue the final accounts in respect of any remaining balance of the contract to us and we would submit the final claims to the customers for final settlement.

Variation orders

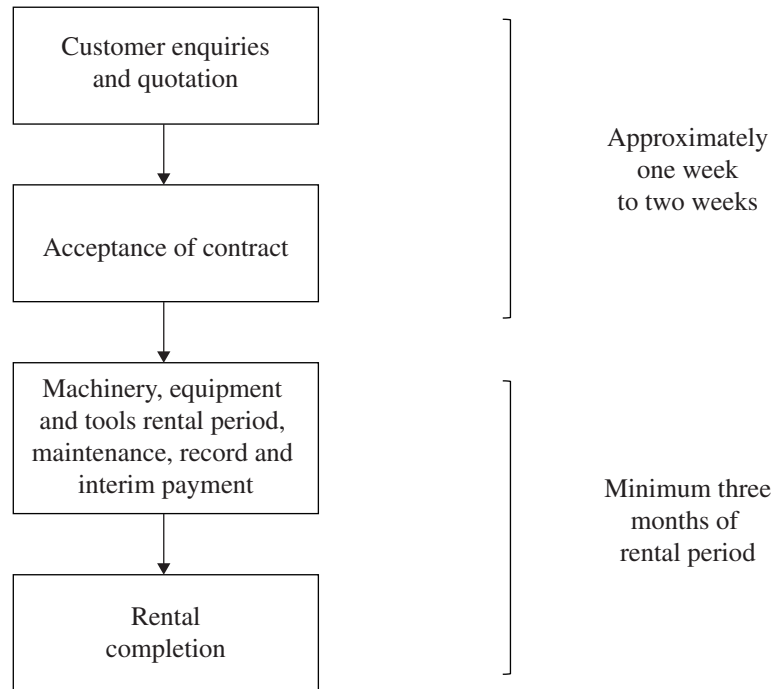
Our customer may, in the course of project execution, place additional orders concerning variation to part of the works that are necessary for completion of the project. Such orders are commonly referred to as variation orders. Variation orders may include (i) additions, removal, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension of works; (ii) changes to any sequence, method or timing of construction specified in the original contract; and (iii) changes to the site or entrance to and exit from the site. We will discuss with our customer to mutually agree on the sum of variation orders which may be added to or deducted from the contract sum mainly with respect to rate of works as set out in the original contract. We are usually notified of a variation order verbally or by way of written request from our customer setting out the detailed works to be carried out as a result of such variation order. We will then assess the price of such works and obtain quotation from our subcontractors and prepare and submit the rate for such variation order to our customer for approval. The principal terms and settlement of variation orders are generally in line with the terms of the original contract.

BUSINESS

2. Leasing of construction machinery, equipment and tools

Our construction machinery, equipment and tools are usually mobilised among the construction sites. Unutilised construction machinery, equipment or tools will be temporarily stored in our storage. During the Track Record Period, we primarily leased our construction machinery and equipment to customers if the machinery or equipment was not being used for our construction works projects at the material time or was not for us for our own projects.

The following chart sets out the major activities of our leasing operation:



Customer enquiry and price quotation

During the Track Record Period, we generally secured rental orders via enquiries from our customers, which were processed by our rental team based on the availability of our own fleet of machinery. Customers normally approach our rental teams by phone or instant message for quotation of the rental price of our construction machinery, equipment and tools, or the supply of machine operators. Our team may also provide advice to our customers on the type of construction machinery that may suit their requirements.

If we do not have a sufficient number of machinery, equipment or tools or do not possess a specific type of construction machinery to fulfil our customers' requirements, we usually turn down the quotation.

BUSINESS

After determining the rental fees, we will issue formal quotation specifying the details of the price for the construction machinery, equipment and tools and duration of rental period for our customer's consideration.

Acceptance

Upon receiving customer's acceptance on our quotations, we will enter into written agreements specifying the details of the rental services required and the rental fees as quoted by our rental team.

Rental period, maintenance and interim payment

Our Group will arrange for the delivery of the rented construction machinery, equipment and tools by our own team or engage third party service providers to deliver the rented construction machinery and equipment to our customers' construction sites.

Upon request, we also provide relevant certification to our customers for all of our construction machinery, equipment and tools. Certain of our leased construction machinery, equipment and tools would be inspected by a third party consultant before delivery and the relevant inspection records would be provided to our customer upon delivery.

Upon arrival at our customer's construction sites, the leased construction machinery, equipment and tools may be inspected and certified by the customer. After completion of the inspection, relevant certification label will be placed on the construction machinery, equipment and tools.

Our rental arrangements may include repair, maintenance and technical support services during the rental period. Our in-house technical support team conducts servicing for our rental customers, regular technical support on our rental construction machinery, equipment and tools, onsite technical support and inspection for our rental customers and emergency repairs.

Depending on the types of construction machinery, equipment and tools, we may provide equipment rental related services to our customers, including equipment assembly, installation and dismantling services.

Completion of the rental period

At the end of the rental period, the construction machinery, equipment and tools will be inspected and returned to our designated location. If the construction machinery, equipment and tools are found to be damaged during our inspection, we would charge the customer the cost of repair or replacement unless the damage is caused by the negligence of our machine operators or drivers. Items required to be replaced would be specified in the invoices which we issue to our customers for subsequent payments.

BUSINESS

Repair and maintenance

During the Track Record Period, when our machinery was out-of-order, it was either (i) repaired by our in-house servicing team; (ii) sent to an authorised dealer for repairs if the machinery was still under warranty; or (iii) sent to other third party repair companies. The warranty period of new machinery is generally up to 12 months.

We assign responsible staff to supervise and inspect the maintenance quality of construction machinery, equipment and tools from time to time, and conduct random inspections on the contents of the maintenance record sheet. For certain heavy machinery, equipment and tools, we have devised policies covering key parts and components of the machinery, equipment and tools, containing standardised procedures in carrying out the routine inspection. Similar to other properties, plant and equipment, we determine the useful life and residual value of the construction machinery, equipment and tools based on various factors, such as expected usage of the particular machinery and their expected physical wear and tear as well as the experience of our Group with similar assets. For details of the relevant accounting policies and estimates, please refer to note 2(d) of the Accountants’ Report set out in Appendix I to this document.

3. Sewage treatment operation

For details of our sewage treatment operation, please see “Sewage treatment operation” above.

OUR PRODUCTION BASE

During the Track Record Period, we leased and operated our production base located at Mawei District, Fuzhou City, Fujian Province, the PRC, with a total area of approximately 8,600 sq.m. for the purposes of manufacturing and modifying formwork and construction machinery, equipment and tools. Please see “Properties” below for further details.

Our PRC Legal Advisers have advised that we have obtained all material licences, permits and certificates for the operation of the production base. To ensure workplace safety and maintain high production quality, we closely monitor our production processes and enforce stringent safety control measures. Our Directors confirmed that we have not experienced any suspension or termination of any licence, permit or certificate required for the operation of our production base during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

OUR SUPPLIERS

Selection of suppliers

Our suppliers are mainly comprised of suppliers of materials such as concrete, piles, steel reinforcing bars and timber formworks. We maintained a list of approved suppliers who are selected based on a number of criteria which are considered to be vital in our business including, but are not limited to: (i) pricing; (ii) product quality; (iii) timeliness of product delivery; (iv) regulatory compliance; and (v) past performances.

Salient purchase terms

Set forth below are the salient terms of our typical contracts with our suppliers:

Unit price, types and specifications of materials	The types, specifications and quantities of the materials together with their corresponding unit price will be stated in the contract.
Payment terms	The terms of payment will typically be stated in the contract and is either payment upon delivery or 30 to 180 days from the date of invoice issuance or product delivery, if a credit period is offered.
Delivery	Our suppliers are responsible for any risks during delivery.

For the discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as the relevant sensitivity analyses in this connection, please see “Financial Information — Cost of Sales” for further details.

During the Track Record Period, we did not experience any material shortage or delay in the supply of materials and services that we required. For the discussion on the historical price fluctuation of the main types of materials and services that we require, please see “Industry Overview” for further details. Our Directors consider that we are generally able to pass on substantial increase in purchase costs, if any, to our customers as we generally take into account our overall costs of undertaking a project when determining our pricing.

BUSINESS

Our five largest suppliers during the Track Record Period

The table below sets forth our five largest suppliers by purchase amount during the Track Record Period, and their respective information:

For the year ended 31 December 2016

Rank	Supplier	Principal Business and background	Products sold to our Group	Year our business relationship commenced	Purchase Amount <i>(RMB million)</i>	Percentage of total purchase of materials <i>(%)</i>
1.	Supplier A	A company based in Shanghai City which is engaged in the sales of construction materials	Timber formworks and timber	2016	5.6	16.8
2.	Supplier B	A company based in Nanning City which is engaged in the sales of construction materials	Timber formworks and timber	2016	4.0	12.0
3.	Supplier C	A company based in Anhui Province which is engaged in the manufacturing and sales of construction materials	Timber formworks and timber	2016	3.3	10.1
4.	Supplier D	A company based in Fujian Province which is engaged in the sales of steel products and other construction materials	Steel products such as steel reinforcing bars and rebar	2014	3.0	9.0
5.	Supplier E	A company based in Gansu Province which is engaged in the sales of concrete and other construction materials	Concrete	2016	2.5	7.4
Sub-total for five largest suppliers					18.4	55.3

BUSINESS

For the year ended 31 December 2017

Rank	Supplier	Principal Business and background	Products sold to our Group	Year our business relationship commenced	Purchase Amount <i>(RMB million)</i>	Percentage of total purchase amount <i>(%)</i>
1.	Supplier D	A company based in Fujian Province which is engaged in the sales of steel products and other construction materials	Steel products such as steel reinforcing bars and rebar	2014	20.5	11.6
2.	Supplier F	A company based in Fujian Province which is engaged in the sales of construction materials	Piles	2017	16.1	9.1
3.	Supplier G	A group of companies based in Fujian Province which is engaged in the manufacturing, processing and sales of concrete pipe pile	Piles	2017	15.1	8.6
4.	Fujian Runjiang	An investment holding company	Concrete	2015	8.6	4.9
5.	Supplier H	A group of companies based in Fujian Province which is engaged in the sales of aluminium products and other construction materials	Aluminium formworks	2014	7.8	4.4
Sub-total for five largest suppliers					68.1	38.6

BUSINESS

For the year ended 31 December 2018

Rank	Supplier	Principal Business and background	Products sold to our Group	Year our business relationship commenced	Purchase Amount <i>(RMB million)</i>	Percentage of total purchase of materials <i>(%)</i>
1.	Supplier D	A company based in Fujian Province which is engaged in the sales of steel products and other construction materials	Steel products such as steel reinforcing bars and rebar	2014	68.2	12.1
2.	Supplier F	A company based in Fujian Province which is engaged in the sales of construction materials	Piles	2017	40.6	7.2
3.	Fujian Runjiang	An investment holding company	Concrete	2015	38.4	6.8
4.	Supplier I	A company based in Fujian Province which is engaged in the manufacturing and sales of structural components	Piles	2017	27.2	4.9
5.	Supplier J	A company based in Fujian Province which is engaged in the sales of concrete and other related products	Piles	2017	26.3	4.7
Sub-total for five largest suppliers					200.7	35.7

BUSINESS

For the five months ended 31 May 2019

Rank	Supplier	Principal Business and background	Products sold/services provided to our Group	Year our business relationship commenced	Purchase Amount <i>(RMB million)</i>	Percentage of total purchase of materials <i>(%)</i>
1.	Supplier D	A company based in Fujian Province which is engaged in the sales of steel products and other construction materials	Steel products such as steel reinforcing bars and rebar	2014	28.7	15.3
2.	Supplier K	A company based in Fujian Province which is engaged in the manufacturing and sales of concrete	Concrete	2018	13.7	7.3
3.	Supplier L	A company based in Fujian Province which is engaged in the manufacturing and sales of concrete	Concrete	2018	7.8	4.2
4.	Supplier F	A company based in Fujian Province which is engaged in sales of construction materials	Piles	2017	7.8	4.2
5.	Supplier E	A company based in Gansu Province which is engaged in the sales of concrete and other construction materials	Concrete	2016	7.1	3.7
Sub-total for five largest suppliers					65.2	34.7

BUSINESS

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our five largest suppliers together contributed 55.3%, 38.6%, 35.7% and 34.7%, respectively, of our total purchase of materials, while our largest supplier contributed for approximately 16.8%, 11.6%, 12.1% and 15.3%, respectively of our total purchase of materials for the corresponding period. During the Track Record Period and as at the Latest Practicable Date, save as disclosed below, none of our five largest suppliers were also any of our five largest customers (by revenue contribution), and vice versa.

Our Directors have confirmed that, except for Fujian Runjiang, all of our five largest suppliers during the Track Record Period were independent third parties and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, owned more than 5.0% of the issued share capital of our Company, had any interest in any of these suppliers.

Inventory control

Our inventory primarily includes construction materials and consumables used in our construction sites. Regarding our construction works service, if we are involved in the procurement of construction materials for a particular project, the purchases will be made as required and the construction materials or consumables will be delivered to the sites directly for use. Owing to the limited storage space at our construction sites, our project team plans the delivery schedule ahead and our staff checks the quantity level stored at the construction sites before placing orders with our suppliers to ensure there is no duplication of order or over purchase. As a result, we generally do not keep excess inventory of construction materials or consumables.

SUBCONTRACTING

During the Track Record Period, we entered into services contracts with our subcontractors, which mainly include labour subcontractors, on a project-by-project basis to supply the labour force in our construction works projects. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, subcontracting fees to our five largest subcontractors amounted to RMB18.3 million, RMB97.9 million, RMB187.8 million and RMB184.4 million, respectively, representing 100%, 98.9%, 97.4% and 97.2% of our total subcontracting fee, respectively for the corresponding period. We are selective of the subcontractors we work with and implement stringent management procedures to control the work of our subcontractors. Our management procedures include: (i) adopting a series of strict cost auditing measures, which are reviewed regularly by our management; and (ii) designating project management personnel who are employed by our Group to supervise and manage our subcontractors and holding on-site periodic meetings with subcontractors to discuss their performance, construction progress and conduct quality and safety training. We compare subcontractors and potential subcontractors based on their qualifications, price quote and historical performance. We require our subcontractors to strictly comply with the relevant safety laws and regulations. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not incur any material damages, penalties or other liabilities arising from the contractual violations or misconduct of our subcontractors.

BUSINESS

Major terms included in our labour subcontracting contracts are summarised as follows:

Responsibilities

Our labour subcontracting contracts specify the particular construction services that the subcontracted workers are contracted to provide. In most cases, the subcontractors are responsible for the tools, small-sized machinery and safety equipment needed on such construction works project.

Quality and Safety

Our subcontractors are responsible for reworks and the associated costs if the quality of the subcontracted work fails to meet our quality standards. Generally, we are responsible for the overall management of the on-site personnel on our construction works projects and setting the construction procedures and safety measures. The labour subcontractor is primarily responsible for complying with, and implementing our internal control policies, conducting training of the subcontracted workers and monitoring their adherence to our safety measures and procedures. Our subcontractors are responsible for any safety accidents of our labour subcontracting workers on our construction works projects for any safety accidents occurring at the construction site or any safety accidents occurring as a result of the faults of the subcontractors.

Subcontracting fees

Our labour subcontracting contracts are generally prepared on a remeasurement basis. The contract value is calculated by the unit price per construction work. The unit price is generally determined based on market price at the time of entering the contract. Our contracts are on a remeasurement basis because the amount of construction works may be adjusted during the course of the construction works projects.

Payment schedule

We generally make monthly progress payment to our subcontractors, which is calculated as the percentage of completion of works (generally approximately 70.0%).

Termination

We are entitled to terminate the labour subcontracting contracts in the event that our labour subcontracting agents fail to complete the project, and our subcontractors will bear all economic losses arising from such termination.

BUSINESS

Our five largest subcontractors during the Track Record Period

The table below sets forth our five largest subcontractors by subcontracting amount during the Track Record Period and their respective information:

For the year ended 31 December 2016 (Note)

Rank	Subcontractor	Principal Business	Services to our Group	Year our business relationship commenced	Subcontracting amount <i>(RMB million)</i>	Percentage of total subcontracting fee
1.	Jianzhong Labour Engineering	Construction labour subcontracting	Labour subcontracting	2016	17.5	95.8%
2.	Subcontractor A	Construction labour subcontracting	Labour subcontracting	2016	0.7	3.7%
3.	Subcontractor B	Construction labour subcontracting	Labour subcontracting	2016	0.1	0.5%
Sub-total for three largest subcontractors					18.3	100.0%

Note: For the year ended 31 December 2016, we only engaged a total of three subcontractors.

BUSINESS

For the year ended 31 December 2017

Rank	Subcontractor	Principal business	Services to our Group	Year our business relationship commenced	Subcontracting amount <i>(RMB million)</i>	Percentage of total subcontracting fee
1.	Subcontractor A	Construction labour subcontracting	Labour subcontracting	2016	34.7	35.0%
2.	Subcontractor B	Construction labour subcontracting	Labour subcontracting	2016	34.0	34.3%
3.	Subcontractor C	Construction labour subcontracting	Labour subcontracting	2017	16.4	16.6%
4.	Subcontractor D	A company based in Shanghai which is engaged in the provision of cleaning and transportation services	Transportation of construction waste	2017	12.2	12.3%
5.	Subcontractor E	Construction labour subcontracting	Labour subcontracting	2017	0.6	0.7%
Sub-total for five largest subcontractors					97.9	98.9%

BUSINESS

For the year ended 31 December 2018

Rank	Subcontractor	Principal business	Services to our Group	Year our business relationship commenced	Subcontracting amount <i>(RMB million)</i>	Percentage of total subcontracting fee
1.	Subcontractor C	Construction labour subcontracting	Labour subcontracting	2017	129.6	67.2%
2.	Subcontractor A	Construction labour subcontracting	Labour subcontracting	2016	22.8	11.8%
3.	Subcontractor F	A group of companies based in Fujian Province which is engaged in investment, construction, operation and management of infrastructure, and construction labour subcontracting	Engineering works	2018	16.5	8.5%
4.	Subcontractor G	Construction labour and engineering works subcontracting	Labour subcontracting	2018	12.9	6.7%
5.	Subcontractor H	Construction labour subcontracting	Labour subcontracting	2018	6.0	3.2%
Sub-total for five largest subcontractors					187.8	97.4%

BUSINESS

For the five months ended 31 May 2019

Rank	Subcontractor	Principal business	Services to our Group	Year our business relationship commenced	Subcontracting amount <i>(RMB million)</i>	Percentage of total subcontracting fee
1.	Subcontractor C	Construction labour subcontracting	Labour subcontracting	2017	132.3	69.7%
2.	Subcontractor A	Construction labour subcontracting	Labour subcontracting	2016	22.0	11.6%
3.	Subcontractor H	Construction labour subcontracting	Labour subcontracting	2018	18.9	10.0%
4.	Subcontractor G	Construction labour and engineering works subcontracting	Labour subcontracting	2018	6.6	3.5%
5.	Subcontractor I	Construction labour subcontracting	Labour subcontracting	2018	4.6	2.4%
Sub-total for five largest subcontractors					184.4	97.2%

Our Directors have confirmed that, except for Jianzhong Labour Engineering, all of our five largest subcontractors during the Track Record Period were independent third parties and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, owned more than 5.0% of the issued share capital of our Company, had any interest in any of these subcontractors.

Our transactions with Fujian Runjiang and Jianzhong Labour Engineering

Background of Fujian Runjiang

Fujian Runjiang is owned as to 95.0% by Mr. Xun MH, our Executive Director, Chairman and one of our Controlling Shareholders. As Mr. Xun MH holds more than 30.0% shareholding interests in Fujian Runjiang, Fujian Runjiang is considered an associate of Mr. Xun MH and a connected person of our Company under Chapter 14A of the Listing Rules. Please see “Connected Transactions” for further details. Fujian Runjiang is an investment holding company.

During the Track Record Period, we provided leasing of construction machinery, equipment and tools to Fujian Runjiang. For each of the three years ended 31 December 2018 and five months ended 31 May 2019, revenue received from Fujian Runjiang amounted to approximately RMB2.4 million, RMB0.8 million, nil and nil, respectively, amounting to approximately 1.5%, 0.2%, nil and nil or our total revenue, respectively, for the corresponding period. Our Directors confirm that the terms of engagement we entered into with Fujian Runjiang were similar to those we entered into with other customers.

BUSINESS

During the Track Record Period, we purchased concrete from Fujian Runjiang for the provision of our construction services. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our total purchases from Fujian Runjiang amounted to nil, approximately RMB8.6 million, RMB38.4 million and RMB3.4 million, respectively, representing nil, approximately 4.9%, 6.8%, and 1.8% total purchase amount, respectively for the corresponding period. Our Directors confirm that the terms of engagement we entered into with Fujian Runjiang were similar to those we entered into with other suppliers.

Background of Jianzhong Labour Engineering

Jianzhong Labour Engineering Co., Ltd (“**Jianzhong Labour Engineering**”), (formerly known as Jianzhong Construction Engineering Co., Ltd) was established on 18 May 2011. It is owned by Mr. Xun MH as to 49.0% and Fujian Runjiang as to 51.0%. Mr. Xun MH is one of our Executive Directors and Controlling Shareholders and hence a connected person of our Company. As Mr. Xun MH holds more than 30.0% shareholding interests in Jianzhong Labour Engineering, Jianzhong Labour Engineering is considered an associate of Mr. Xun MH and a connected person of our Company under Chapter 14A of the Listing Rules. Jianzhong Labour Engineering is principally engaged in construction labour subcontracting.

During the Track Record Period, we provided leasing of construction machinery, equipment and tools services to Jianzhong Labour Engineering. For each of the three years ended 31 December 2018 and the three months ended 31 May 2019, our revenue generated from Jianzhong Labour engineering amounted to nil, nil, approximately RMB1.4 million and RMB1.3 million, respectively.

During the Track Record Period, Jianzhong Labour Engineering provided us construction labour subcontracting services to us. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our subcontracting fee paid to Jianzhong Labour Engineering amounted to approximately RMB17.5 million, nil, nil and nil, respectively, representing approximately 95.8%, nil, nil, and nil of our total subcontracting fee, respectively for the corresponding period, respectively. Our Directors confirm that the terms of engagement we entered into with Jianzhong Labour Engineering were similar to those we entered into with other suppliers.

BUSINESS

Relationship with major customer that was also our major supplier or major subcontractor during the Track Record Period

Customer A/Supplier K

During the Track Record Period, Customer A and Supplier K are under the same group. For details of Customer A, please see “Customer concentration – Our relationship with Customer A, our largest customer during the Track Record Period” above.

During the Track Record Period, we mainly provided foundation works, formwork and scaffolding works, leasing of construction machinery, equipment and tools and others to Customer A. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our total revenue generated from Customer A/Supplier K amounted to approximately RMB130.4 million, RMB346.5 million RMB658.7 million and RMB435.6 million, respectively, representing approximately 83.2%, 69.5%, 55.2% and 71.2% of our total revenue, respectively for the corresponding period.

During the Track Record Period, we also engaged Customer A/Supplier K for the supply of concrete. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our total purchase from Customer A/Supplier K amounted to nil, nil and approximately RMB0.3 million and RMB13.7 million, respectively, representing nil, nil approximately 0.04% and 7.3% of our total purchase of materials, respectively for the corresponding period. Our Directors confirm that the terms of engagement we entered into with Customer A/Supplier K were similar to those we entered into with other customers and suppliers.

Customer E/Subcontractor F

During the Track Record Period, Customer E and Subcontractor F are under the same group. Customer E/Subcontractor F includes a group of companies and are based in Fujian Province which engaged in investment, construction, operation and management of infrastructure and construction labour subcontracting.

During the Track Record Period, we provided foundation works and other construction works service to Customer E/Subcontractor F. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our total revenue generated from Customer E/Subcontractor F amounted to nil, approximately RMB49.7 million, RMB127.4 million, and RMB9.5 million, respectively, representing nil, approximately 9.9%, 10.7% and 1.6% of our total revenue, respectively for the corresponding period.

During the Track Record Period, we also engaged Customer E/Subcontractor F for the provision of engineering works subcontracting services. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our total purchases from Customer E/Subcontractor F amounted to nil, nil, approximately RMB16.5 million, and nil, respectively, representing nil, nil approximately 8.5% and nil of our total purchase amount, respectively for the corresponding period. Our Directors confirm that the terms of engagement we entered into with Customer E/Subcontractor F were similar to those we entered into with other customers and subcontractors.

BUSINESS

MARKET AND COMPETITION

According to the F&S Report, the foundation works market in the PRC is highly fragmented with over 30,000 market players in the market in 2018. Our Group was the third largest non-state owned foundation works subcontractor in terms of revenue in 2018 in the PRC. Similarly, in Fujian Province, according to the F&S Report, the foundation works industry is fragmented with over 1,200 market players in the market in 2018. Our Group was the largest foundation works subcontractor in terms of revenue in 2018 in Fujian Province. One of the major competitive factors of competition includes developing close relationship, with customers such as leading contractors. There are a number of market entry barriers which hinder new players entries. Such entry barriers mainly include (i) capital requirement; (ii) proven track record of foundation works projects and technical experience; and (iii) licensing requirements.

In addition, according to the F&S Report, the market of aluminium formwork in Fujian Province is considered fragmented with the top three market participants recording a total market share of 12.9% in terms of revenue in 2018 with our Group accounting for a market share of 0.6% in terms of revenue in 2018. According to the F&S Report, in 2018, there were around 1,000 market players in the aluminium formwork market engaging in the design, manufacturing, leasing, sales and/or installation of aluminium formwork in the PRC with only around 500 market players which were capable of manufacturing aluminium formworks. Regarding the construction machinery, equipment and tools leasing market in the PRC, according to the F&S Report, the market is relatively fragmented with over 10,000 market players specialising in various sub markets. Most of the market players are medium to smaller scaled players. There are some large market participants that are involved in all parts of the value chain, including but not limited to the sales, leasing and reconditioning of machinery and equipment and leasing. They often possess a wide variety kind of machinery and equipment that can perform multi functions.

In view of the competition in the markets and industries in which we were involved, Our Directors believe that our competitive strengths have contributed to the success of our Group and under the management of our Directors and senior management, our Group is well positioned to capture the growing demand for the construction industry, in particular the foundation works market in the PRC. For further details of our competitive strengths, please see “Competitive strengths” above.

BUSINESS

QUALITY CONTROL

Comprehensive quality control is critical to our reputation and success. Accordingly, we adopt various quality control measures to ensure the quality of our works and services. Set forth below is a summary of the key quality control measures which we implemented:

(i) General quality control measures

- *Quality control review.* After completion of each construction works project, we conduct a detailed review and analysis of quality control issues and explore the possibility of implementing measures, enhancement or improvement to our existing quality control measures.
- *Staff training.* We provide periodic training to our workers and project management teams to refine their knowledge in relation to internal quality standards and compliance regulations in the construction industry.

(ii) Quality control on construction works projects

- *Inspection of materials.* We conduct inspections of materials in accordance with our quality standards and the specifications of our customers. We are typically required to provide a product certificate and obtain our customer's approval prior to the usage of such materials in our construction works projects.
- *Standardised construction.* We employ standardised construction methods and technologies across our construction works projects. We may set up on-site construction demonstration zones in large-scaled construction works projects, where key construction methods and processes are exhibited for workers' reference.
- *On-site inspection.* Our project management teams conducts periodic on-site inspections and spot checks. Should there be any quality control issue, the relevant personnel will be required to implement rectification measures immediately. They may also conduct periodic inspection and spot checks for our construction works projects, with results documented in corresponding reports with assessments as to construction quality, progress and milestones.

BUSINESS

(iii) Quality control on our construction and machinery, equipment and tools

- *Inspection and spot checks.* We conduct regular inspection and spot checks of our construction, machinery, equipment and tools to assess the wear-and-tear status and test the function of different machineries, so as to ensure that our fleet can operate efficiently without malfunctions and technical issues.
- *Review and customer survey.* We survey our customers to collect feedback and better understand our customers' needs in respect of the leased machineries. We also conduct periodic reviews internally to evaluate on the quality and functionality of our construction machinery, equipment and tools.
- *Fleet maintenance.* We implement preventive maintenance measures to increase machine reliability, decrease overall maintenance costs, reduce equipment malfunctions and improve efficiency of our construction machinery, equipment and tools.
- *On-site post-rental inspections.* In order to reduce equipment downtime in the customers' construction sites, we conduct periodic inspections on the leased machineries as part of our quality control measures.

(iv) Quality control throughout the manufacturing process

- *Inspection and spot checks.* We conduct daily inspection and spot checks at our production lines to ensure that our manufactured products are in line with our production standards, as well as our customers' specifications.
- *Review and customer survey.* We survey our customers to collect feedback and better understand our customers' needs in respect of the manufactured products. We also conduct periodic reviews to evaluate our production efficiency and product quality.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issues or receive any material complaints about the quality of our construction works projects, leased machineries and manufactured products. Please see "Occupation Health and Safety" below for further details of duties and responsibilities of our quality control and safety department.

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OCCUPATIONAL HEALTH AND SAFETY

Our safety management system

We implemented stringent internal safety policies to enhance operational safety and ensure compliance with relevant laws and regulations. Our relevant safety personnel is responsible for carrying out inspection and regular checks on the construction works projects undertaken by us. They will identify areas which may not meet with our expectations on relevant laws, regulations and mandatory standards on engineering construction and make suggestion for improvement. Our project management team oversees construction works projects within their designated scopes and are responsible for convening meetings and briefings in relation to safety requirements and procedures prior to the commencement of each project, recording project ledgers, conducting inspections periodically and reviewing safety protocol after an accident, if any.

Our reporting system for workplace accidents

We have implemented a system for the efficient reporting of workplace accidents and systematic recording of historical accidents. All workplace accidents must be immediately reported to the corresponding project management team. From then on, the project management team and relevant safety personnel will assess the situation as well as the loss and damage caused, if any. For any workplace accident where the economic loss is equal to or greater than RMB200,000 or where it resulted in any death or substantial injuries, we will promptly submit a ledger for internal record purposes. We will then report the workplace accident to the relevant government authority as required by PRC laws and regulations, and cooperate with the local government to conduct subsequent investigations.

Our internal safety rules and procedures

We adopt comprehensive safety measures in our construction works projects. Set forth below is a summary of our key safety measures:-

<u>Potential safety issues</u>	<u>Safety measures</u>
Injury caused by falling objects or falling from height	All personnel are required to wear safety helmets within construction sites. Workers working at height are required to wear safety belts and safety footwear in additional to safety helmets.
Injury caused by operating heavy machinery	Only personnel with the required licences may operate heavy machinery. They must follow standard safety procedures for operating different types of machinery, such as ensuring that power is cut off before checking and cleaning of machinery, using machinery in accordance with safety guidelines and wearing safety gear at all times.

BUSINESS

Potential safety issues

Injury caused by electric shock

Injury caused by collapses

Safety measures

Only personnel with the required licences may maintain and install electrical equipment. They must follow the relevant operating rules.

All personnel are required to strictly follow our standard safety procedures. Should there be a potential collapse within the vicinity of the work area, all personnel must be evacuated immediately and preventive measures must be implemented to ensure safety.

Pursuant to the Administration Regulation on Work Safety License of Construction Enterprise, we are required to fulfil and adopted the following requirements:-

1. Establishing and perfecting a work safety responsibility system, and formulating work safety regulations and operating rules;
2. Ensuring the input of capital required for the work safety conditions;
3. Setting up a work safety management institution, staffing full-time work safety management personnel according to the relevant laws and regulations;
4. The main responsible person, person-in-charge of the project, and the full-time work safety management personnel shall have passed the examination of the competent department of construction or other relevant departments;
5. The operators responsible for operating specific machinery shall have passed the examination of the relevant departments in charge and obtained the qualification certificate for such operation;
6. The management personnel and the operators shall attend work safety education training at least once a year and pass the relevant examination;
7. Taking part in work-related injury insurance according to the relevant laws and regulations, and handling according to law work-related injury insurance for the personnel who engage in dangerous work on the construction site, and paying insurance premium for the practicing personnel;
8. The office areas and living areas of the construction site and the operation place, the safety appliances, machinery equipment, construction machines and tools and the fittings shall must comply with the requirements of relevant laws, regulations, standards and rules concerning work safety;

BUSINESS

9. Having measures for the prevention and treatment of occupational danger, and equipping the operators with safety appliances and safety exposure suit that comply with the national or industrial standard;
10. Having prevention and monitoring measures and emergency preparedness plans for the subsection or subentry projects that has more danger and the parts or tache where grave accidents are likely to occur;
11. Having emergency rescue preparedness plan for work safety accident, emergency rescue organisation or emergency rescue personnel, and equipping them with necessary emergency rescue equipment or facilities; and
12. Other conditions as prescribed by relevant laws and regulations.

RESEARCH AND DEVELOPMENT

We believe our profitability and competitiveness are primarily driven by our emphasis on R&D. According to the F&S Report, over the years, market participants have implemented various applications and technologies, namely Building Information Modelling (BIM), to enhance the overall quality of construction works. In addition, the PRC Government has also implemented policies to promote such technologies in the PRC construction industry, which has raised the demand for highly qualified and experienced professional. Therefore, lack of qualified individuals to fulfill this requirement may impose operational difficulties on the foundation works market as there may be an insufficient supply of qualified individual to fulfill this requirement. Against such industry backdrop, we have been devoted to R&D to drive improvement and innovation in construction technologies and we seek to distinguish ourselves from our competitors with our internally developed and modified some of our construction machinery, equipment and tools which enables us to increase operation efficiency.

Research staff and facilities

As at 31 December 2016, 2017, 2018 and 31 May 2019, our R&D team consisted of 41, 65, 73 and 73 personnel, comprised of industrial and civil construction engineers and civil engineers with extensive industry experience. Part of our R&D strategy is to maintain regular communications with our customers and make necessary improvements in construction technologies, modifications to our construction machinery, equipment and tools, and adjust key components of our existing construction machinery, equipment and tools to solve the problems encountered by our customers and thereby increasing the overall efficiency. As our Directors consider that our competitive edge is driven by our emphasis on R&D and the close collaboration between our R&D and project team, we expanded our R&D department during the Track Record Period. Our research staff focus on developing integrated solutions tailored to our customers' needs, providing guidance and advice on construction design and techniques in relation to our projects, providing regular trainings or seminars to our staff and introducing new technologies in relation to construction methods to our Group to improve our existing services, enhance our production efficiency.

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Our investment and major achievements of R&D efforts

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, we engaged in five, 16, 26 and eight new R&D projects, respectively, and we invested approximately RMB3.7 million, RMB8.4 million, RMB46.6 million and RMB17.9 million, respectively as R&D expenses for the corresponding period. Our R&D efforts have produced a number of technical achievements, industry recognitions and also have a proven track record of generating a considerable amount of intellectual property and industry know-how we use in the production. We possess the patents of some of our construction machinery, equipment and tools that we utilised in our construction works projects. As at the Latest Practicable Date, we have obtained 44 patents which include 42 utility models patents (實用新型專利); and two design patents (外觀專利) and applied for the registration of a total of 55 patents including 27 patents for invention (發明專利); 27 utility models patents (實用新型專利); and one design patent (外觀專利). As a result of our R&D capabilities, initiatives and achievements, as at the Latest Practicable Date, we are in the process of applying for the qualification as a “High and New Technology Enterprise* (高新技術企業)”. If the application is approved, our relevant subsidiary will be entitled to a preferential income tax rate of 15.0%.

Highlights of our technologies

(a) Smart mast climber construction works platform (智能導架式升降平台)

Our smart mast climber construction works platform is developed in view of the operational needs to enhance construction works safety and convenience in conducting construction works at elevated heights. The platform utilises a mast climber system which is tethered to a main platform for construction workers to operate on, allowing the platform to ascend and descend to different height levels at ease. In practice, the platform is installed in close vicinity to the external walls of the building or infrastructure being constructed, so that the platform may serve as an extended workspace for construction workers to operate on at otherwise unreachable work positions.

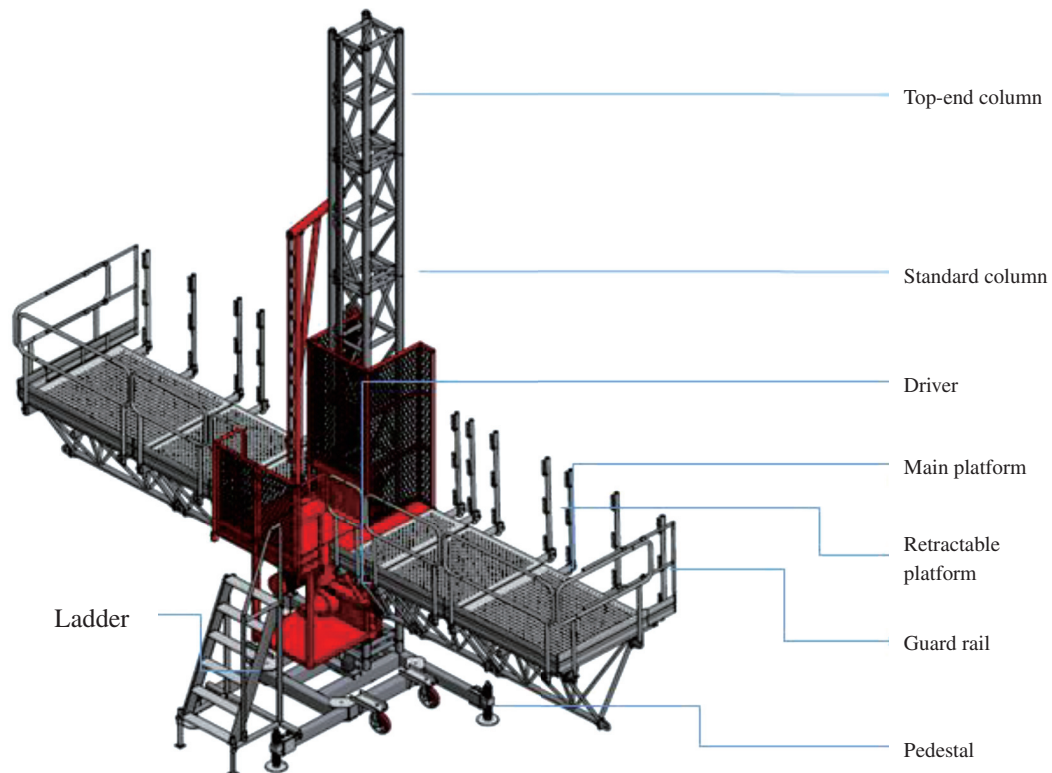
Internally, the platform comprises a core mast climber system driver (驅動爬升系統), electric safety control system (安全電氣控制系統) and coupling descension system (聯動墜系統) as its system components, where such components synergise with one another to allow construction workers/machinery operators to conveniently and securely adjust their work positions at elevated heights.

Structurally speaking, the workspace on the platform is formed with the main platform (主平台), a series of retractable platforms (伸縮平台) and surrounding guard rails (護欄). Paired with the aforementioned smart system, our platform is able to provide a secure construction workspace with technical specifications at elevated heights.

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Listed below are the patents which are coincidental to our smart mast climber construction works platform and obtained by us:

Patent registered	Patent number
A kind of work platform (一種作業平台)	ZL201720996376.1
A kind of automatic adjustment guide device for mast climber platform (一種導架式爬升平台的自動調節導向裝置)	ZL201721327421.0
A kind of mobile formwork system (一種移動模架體系)	ZL201721171890.8
A kind of protection roof for lifting work platform (一種施工升降平台防護頂棚)	ZL201720849296.3
A kind of support structure for attached scaffold (一種附著式腳手架的支撐架結構)	ZL201720849277.0
A kind of connection fixture for attached lifting scaffold (一種附著式腳手架連接固定裝置)	ZL201721143530.7
A kind of non-perforated formwork truss for one-sided wall (一種單側牆無穿孔支模桁架)	ZL201721143529.4



BUSINESS

(b) *Smart pipe jacking machine* (智能化頂管機)

We developed our smart pipe jacking machine for advanced tunnelling works. Our pipe jacking machine features a high-end control mechanism which comprises a driver system (動力系統), hydraulic pressure control system (液壓控制系統), spiral conveyor system (螺旋輸送系統), electric safety control system (電氣控制系統) and correction system (糾偏系統). Utilising the pipe jacking technique via the use of our pipe jacking machine, we are able to conduct non-disruptive tunnelling works at high precision levels intending to minimise environmental disruption. Furthermore, the adoption of our pipe jacking machine increases tunnelling efficiency compared to conventional tunnelling works, which require extensive soil excavation and substantial backfill materials.

Listed below are the patents which are coincidental to our smart pipe jacking machine and obtained or applied by us:

Patent registered	Patent number
A kind of cutting structure in pipe jacking machine for improving mudstone crushing (一種優化泥石破碎能力的頂管機切削結構)	ZL201820970352.3
A kind of discharging structure in screw conveyor for the tunnelling structure of pipe jacking machine (一種頂管機掘進結構的絞龍排料結構)	ZL201820970354.2
Pipe jacking machine based on earth pressure balance (基於土壓平衡的頂管機)	ZL201820996839.9
A kind of adjustable connection device between the cutter block and the front end of pipe jacking machine (一種頂管機刀座與前端間的可調節連接裝置)	ZL201820997480.7
Patents in application	Patent number
A kind of smart pipe jacking machine and its pipe jacking construction method (一種智能化頂管機及其頂管施工方法)	201811420464.2
A kind of pipe jacking structure (一種頂管結構)	201822001400.0
A kind of pipe jacking structure and the method for spraying lubricant to its surrounding parts (一種頂管結構及頂管結構周邊潤滑注漿的方法)	201811457362.8
A kind of smart pipe jacking machine (一種智能化頂管機)	201821956763.3

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(c) Full steel profile attached construction scaffold (全型鋼附著升降腳手架)

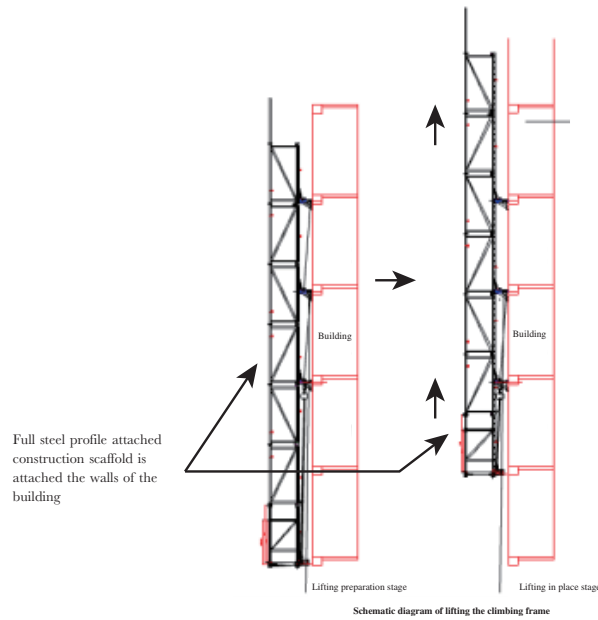
Our full steel profile attached construction scaffold combines a smart control system with technical specifications. Our scaffold is installed via attachment onto the exterior walls of the building or infrastructure in construction, where an elevating equipment will then be attached to the installed scaffold, acting as a secure and flexible work platform for construction works at elevated heights.

The use of our scaffold materialises the mechanisation of scaffold usage, which in turn minimises the hazards and dangers of conducting construction works at elevated heights and reduces carbon emissions contributory to scaffolding works. Our scaffold retains organic features such as its structural simplicity, ease of operation, safety and reliability which are found in conventional scaffolds.

Listed below are the patents which are coincidental to our full steel profile attached construction scaffold and obtained or applied by us:

Patent registered	Patent number
Outer steel mesh device for attached lifting scaffold (附著式腳手架外型鋼網裝置)	ZL201720819246.0
Support frame structure for attached scaffold (附著式腳手架的支撐架結構)	ZL201720849277.0
A kind of connection fixture for attached lifting scaffold (一種附著式腳手架連接固定裝置)	ZL201721143530.7
Patents in application	Patent number
A kind of mobile base structure and lifting platforms with such base structure (一種可移動式底座及帶該底座的升降平台)	201720811780.7
A kind of anti-toppling device for attached lifting scaffold (一種附著式腳手架防傾裝置)	201720915252.6
A kind of smart lifting transfer platform (一種智能升降轉料平台)	201822000970.8

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Collaboration with tertiary and technical research institutions

Our R&D team also works with professors and researchers from established tertiary institutions which, we believe, provides us with insights into industry trends and emerging new construction engineering knowhow and technologies, enabling us to focus our current and future R&D efforts more effectively. During the Track Record Period, we had a number of collaborations with several colleges and universities in Fujian. As at the Latest Practicable Date, we have entered into three collaboration agreements with these institutions. With more resources from the tertiary institutions, our product R&D staff are able to tap into their technical know-how efficiently. By working closely with these professors and researchers, our R&D team is able to expand our capabilities, develop a wider range of technology applications and tools and keep informed of the latest technological developments.

ENVIRONMENTAL PROTECTION

Our construction business in the PRC is subject to certain laws and regulations in relation to environmental protection. Please see “Regulatory Overview” for further details.

We have established and implemented various environmental compliance policies to cater for environmental protection procedures and measures and ensure our compliance with the relevant PRC laws and regulations, including noise control, air pollution control as well as solid waste and waste water treatment.

The major pollutants generated by our Group in the construction process include various kinds of construction waste and wastewater which could be dangerous to human body or carcinogenic. These construction waste and wastewater is generally discharged by waste transportation companies. Accordingly, we are subject to the relevant PRC environmental laws and

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regulations including the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), the Air Pollution Prevention and Control Law of the People’s Republic of China (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the People’s Republic of China (《中華人民共和國水污染防治法》), the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People’s Republic of China (《中華人民共和國固體廢物污染環境防治法》), Environmental Impact Evaluation Law of the People’s Republic of China (《中華人民共和國環境影響 評價法》) and the Regulations on Environmental Protection Management of Construction Works Projects (《建設項目環境保護管理條例》) promulgated by both the state and local governments. For details, please see “Regulatory Overview — Environmental protection”. Pursuant to the relevant laws and regulations, we are required to adhere to the pollutant discharge standards, under which the discharge pollutants shall adopt effective measures to avoid and control the pollution and damage caused to the environment.

As advised by our PRC Legal Advisers, we had no material non-compliance or violations of environmental protection laws and regulations that would materially and adversely affect our business operations and financial conditions. Notwithstanding that we have effective measures on controlling and monitoring wastewater discharge, our operations are subject to the increasingly stringent regulatory requirements on environmental protection. Please see “Risk Factors — Risks relating to the industry in which we operate — we are subject to environmental, health and safety laws, regulations and guidelines, which may materially and adversely affect our operating performance and incur liabilities if breaches occur” for the risks in association with our ongoing compliance with, among others, environmental protection laws and regulations.

INSURANCE

We maintain insurance policies that are required under relevant PRC laws and regulations as well as policies based on our assessment of our operational needs and industry practice. We also maintained insurance policies in respect of certain of our machinery, equipment and tools covering losses due to fire, explosion, earthquake, typhoon, flood and certain other risks. We are also required by PRC social security laws and regulations to maintain mandatory social insurance policies for our employees and make contributions to mandatory social insurance fund for our employees. We did not carry any business interruption or litigation insurance policies, which are not mandatory according to the laws and regulations of the PRC. Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. In addition, as confirmed by our PRC Legal Advisers, save as disclosed in “Business — Non-compliance incidents” below, we had duly maintained all material insurance policies in compliance with the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not experience any material insurance disputes nor had we made or been the subject of any material insurance claims.

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INTELLECTUAL PROPERTY

We have put efforts on the protection of our intellectual property rights from infringement and misappropriation by third parties, however, there may be unauthorised attempts to use and obtain our intellectual property. In the event of a successful claim of infringement and our failure or inability to protect our intellectual properties, we may face a damage to our reputation and may also adversely affect our operations. Our business segments depend on the track record, credibility and value of our company brand. Please see “Statutory and General Information — Further Information about Our Business — 2. Intellectual Property Rights” in Appendix IV to this document for further details.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material infringement of our intellectual property rights by third parties nor our infringement of intellectual property rights owned by other parties; and we have not experienced any litigation, arbitration or disputes in relation to intellectual property rights infringement, and our Directors believe that we have taken all reasonable measures to prevent any infringement of our intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

BUSINESS

OUR EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had 482 employees, most of them are located in the PRC. Set forth below is a table showcasing the allocation of our employees:-

	As of the Latest Practicable Date
Directors and management	7
Finance and accounts	22
R&D	73
Project management	47
Production	207
Supporting	126
Total	482

Relationship with staff

Our success depends on our ability to attract, retain and motivate talented and competent personnel. As part of our retention strategy, we offer competitive salaries, performance-based bonuses, staff benefits and reward incentives to our employees. We also strive to develop a sense of belonging for employees to our Group and an affinity to our business brand, motivating employees to interact and collaborate as a community.

Training and recruitment policies

We recruit primarily through job search websites, campus recruitment, and public recruitment programmes. As our recruitment principle, each job applicant has an equal job opportunity. All of them will be treated equally and there is no discrimination as to gender, age and ethnicity. We provide on-board training to our newly joined employees. Such training serves as a guide and tour for employees to understand our business operations, culture and policies. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any labour-related disputes or work stoppages and we and our employees had not established any labour union.

BUSINESS

PROPERTIES

As at the Latest Practicable Date, we did not own any property.

We lease certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and they are principally used as office premises located across Fujian Province. As at the Latest Practicable Date, we entered the following leases:

	Location	Lessor	Tenant	Approximate area	Term of lease	Monthly rent	Usage
			(sq.m.)	(sq.m.)			
1.	20/F, Jinlan Building, 33 Zhaoqiang Road, Mawei District, Fuzhou, Fujian, China (Pilot Free Trade Zone)	Fuzhou Development Zone Mingxin Construction Material Trading Co., Ltd. <i>(Note)</i>	Jianzhong Construction Technology	1,300	1 July 2017 to 30 June 2020	RMB57,000	Office
2.	2001A, 20/F, Jinlan Building, 33 Zhaoqiang Road, Mawei District, Fuzhou, Fujian, China	Fuzhou Development Zone Mingxin Construction Material Trading Co., Ltd. <i>(Note)</i>	Jianzhong Logistic	23	20 June 2018 to 20 June 2020	RMB1,000	Office
3.	1/F, 540 Hangtian Road, Jimei District, Xiamen	Xiamen Yuanqinhui Trading Co., Ltd.	Jianzhong Construction Technology	300	15 August 2017 to 14 November 2021	RMB20,000	Office
4.	20/F, Building 2, Jinjingwan Business Operation Center, Pingtan Comprehensive Experimental Area	Pingtang Jiayuan Properties Development Co., Ltd.	Jianzhong Technology (Pingtan)	200	26 July 2017 to 25 July 2022	RMB1,600	Office
5.	• 69 Changxing East Road, Dongqi Village, Tingjiang Town, Mawei District, Fuzhou • 1/F, 2/F, 5/F, 69 Changxing East Road, Dongqi Village, Tingjiang Town, Mawei District, Fuzhou	Fujian Runjiang <i>(Note)</i>	Jianzhong Engineering Equipment	• 8,600 • 1,400	27 October 2018 to 31 December 2019	• RMB102,000 • RMB17,000	Factory Office
6.	Rooms 2001, 2002, 2003, 2004, 20/F, China Huarong Building, No. 9 Xing'ao Road, Hengqin, Zhuhai, Guangdong	Conch Venture Henghai Investment (Zhuhai) Co., Ltd. <i>(Note)</i>	Guangdong Haizhijian Engineering	1,900	1 April 2019 to 31 March 2020	RMB299,000	office

Note: Immediately following the completion of the [REDACTED], the entity will be our connected person with which we will have connected transactions. Please see “Connected Transactions” for further details.

BUSINESS

LICENCES AND PERMITS

As advised by our Directors and PRC Legal Advisers, during the Track Record Period: (i) we had obtained all necessary licenses, permits, approvals, consents, certificates, authorisations and registrations (the “**Approvals**”) necessary for the due establishment of our subsidiaries and conduct of our business operations in all material respects; and (ii) such Approvals were valid and subsisting. According to the information on hand up to the Latest Practicable Date, our PRC Legal Advisers further advised that we would not encounter any material legal impediments in renewing the Approvals when they expire. Set forth below is a table showing the key licences and permits which we have obtained for our business:-

Name of certificates/ licences/permits	Holder	Class/Grade	Granting authority in the PRC	Expiry date
Professional contractor in foundation engineering works (地基基礎工程專業承包)	Jianzhong Construction Technology	First (一級)	MOHURD	9 December 2020
Professional contractor in lifting equipment installation works (起重設備安裝工程專業承包)	Jianzhong Construction Technology	First (一級)	MOHURD	9 December 2020
Professional contractor for building mechanical and electrical installation projects (建築機電安裝工程專業承包)	Jianzhong Construction Technology	Second (二級)	MOHURD	9 December 2020
Professional contractor for template and scaffold works (模板腳手架專業承包)	Jianzhong Construction Technology	–	MOHURD	9 December 2020
Professional contractor in steel structure construction works (鋼結構工程專業承包)	Jianzhong Construction Technology	Third (三級)	MOHURD	9 December 2020
Main contractor in municipal and public construction works (市政公用工程施工總承包)	Jianzhong Construction Technology	Third (三級)	MOHURD	9 December 2020
Main contractor in general construction works (建築工程施工總承包)	Jianzhong Construction Technology	Third (三級)	MOHURD	9 December 2020

BUSINESS

AWARDS AND CERTIFICATIONS

Recognition and Awards

As of the Latest Practicable Date, our Group had received the following key awards and recognitions:-

Recipient/Project	Award/ Recognition	Awarding Authority	Year of grant
Jianzhong Construction Technology	Fujian Provincial Scientific and Technological Enterprise Certificate (福建省科技型企業證書)	Fujian Province Science and Technology Commission (福建省科學技術廳)	2017
Jianzhong Construction Technology	Fujian Province Science and Technology Small Giant Enterprise Certificate (福建省科技小巨人領軍企業證書)	- Fujian Province Science and Technology Commission (福建省科技廳) - Fujian Province Development and Reform Commission (福建省發展和改革委員會) - Fujian Provincial Economic and Information Commission (福建省經濟和信息化委員會) - Fujian Province Finance Commission (福建省財政廳)	2018
Jianzhong Construction Technology	China Top 10 Foundation Construction Company (Non-State Owned) (中國基礎施工企業十強)(非國有)	- Organising Committee of T50 Summit of World Construction Machinery Industry (全球工程機械產業大會暨50強峰會組委會) - China Construction Machinery Magazine (中國工程機械雜誌)	2018
Jianzhong Construction Technology	Grade B in the Expert Evaluation of the Non-excavation Pipe Jacking Tunnel Special Construction Capacity Certification (乙級非開挖頂管隧道專項施工能力認證)	China Geological Society Non-excavation Technology Committee (中國地質學會非開挖技術專業委員會)	2018

We have been a standing corporate council member (常務理事單位) of China Geological Society Non-excavation Technology (中國地質學會非開挖技術專業委員會) since 2018. In 2018, we also became a corporate group member (團體會員) of Fujian Province Quality Management Association (福建省質量管理協會) and a corporate vice chairman member (副會長單位) of the Civil Engineering and Architectural Association of Fujian (福建省土木工程建築行業協會).

BUSINESS

INTERNAL CONTROL

Internal control measures to improve corporate governance

In order to improve our corporate governance in the future, we have adopted, or expect to adopt before [REDACTED], a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of internal control system include the following:

- (i) our Directors attended a training session in August 2019 in relation to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- (ii) we [have adopted] various policies to ensure compliance with the Listing Rules, including those in relation to risk management, continuing connected transactions and information disclosure;
- (iii) we have implemented internal control policies in relation to financial management; and
- (iv) we have implemented a series of internal rules and regulations in relation to our business operations, including those in relation the management of our business operation, the human resources, payroll, cash management at our point of services and information on technology systems.

View of our Directors

We have engaged an internal control consultant to perform certain agreed-upon procedures in relation to our internal control policies with respect to entity-level controls, including financial and accounting procedures, recovery of trade receivables, cash management procedures, procurement procedures, human resources management procedures, taxation management procedures, fixed asset management procedures and other general control measures over financial reporting with an aim to, amongst other matters, improve our Group's internal control system including its risk management and corporate governance. The internal control consultant had provided recommendations in relation to strengthening our Group's internal controls, and our Group has taken measures to implement the relevant internal control measures.

The internal control adviser has performed a follow-up review by focusing on the remedial actions undertaken by the management of our Group on the control deficiencies identified in the first round review. Based on the result of the follow-up review report, our Directors confirmed that our Group has adopted most of the internal measures and policies suggested by the internal control adviser and is in the process of adopting the remaining internal measures and policies, and are satisfied that our Group's internal controls are adequate and effective for our Group's operation.

BUSINESS

RISK MANAGEMENT

We are exposed to various risks during our business operations. Please see “Risk Factors” for further details. We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Such policies and procedures relate to, among others, managing material risks involved in our construction works service, leasing of construction machinery and equipment, construction material manufacturing operation, facilities, as well as monitoring our cash flow and debt position, among others.

Our Board oversees and manages the risks associated with our business. We have established our Audit Committee to review and supervise our financial reporting process and internal control system. Our Audit Committee consists of three Independent Non-executive Directors, namely Mr. Wong Kun Kau, Mr. Zhu Diwu and Mr. Sze Irons B.B.S. JP. Please see “Directors and Senior Management” for further details of our Audit Committee’s functions and duties.

As one of the measures to improve our cash flow management, a risk management review committee (the “RMRC”) will be set up upon the [REDACTED]. The RMRC comprised one Independent Non-executive Director, one Non-executive Director, one Executive Director and our chief financial officer of our Company. Its major functions include, (a) ensuring our Group’s internal control function in respect of budgeting to be adequately resourced; (b) reviewing and monitoring the cash budget prepared by our Group’s management; (c) ensuring the client acceptance procedures are appropriately adopted to reduce potential credit risk; (d) reviewing the ageing analysis of trade and bills receivables, and ensuring appropriate procedures are adopted to collect the overdue receivables; and (e) ensuring we have adequate financial resources to fulfill the capital requirement of any tender with acceptable profit margin to us. To carry out these functions, the RMRC is responsible for conducting monthly review and quarterly meeting, and discussing with the Executive Directors for any significant issues identified.

LITIGATION AND REGULATORY

Legal Proceedings

Our Directors confirm that to their best knowledge and understanding, up to the Latest Practicable Date, there were no material litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors.

Non-compliance Incidents

We are advised by our PRC Legal Advisers that during the Track Record Period and up to the Latest Practicable Date, save as disclosed below, we have been in compliance with applicable laws and regulations in all material aspects and obtained all material permits and licenses necessary for our operations in accordance with the PRC laws and regulations.

We had certain regulatory non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

The following table sets out the details of the said non-compliance incidents:

Non-compliance incidents and reasons for the incidents	Consequences of the non-compliance incidents	Remedies and internal control measures
<p>(1) <i>Social insurance fund and housing provident fund</i></p> <p>During the Track Record Period, we did not make full contribution to the social insurance fund and housing provident fund based on the actual income of our employees in accordance with PRC laws. We estimated that the outstanding social insurance fund and housing provident fund was RMB3.5 million, RMB3.4 million, RMB5.9 million, and RMB2.5 million for the years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2019, respectively.</p> <p>The non-compliance incidents were mainly due to inconsistency in interpretation or interpretation of PRC laws and regulations by the local authority and insufficient understanding of the relevant PRC laws and regulations among our human resources personnel.</p>	<p>Pursuant to Social Insurance Law of the People's Republic of China, when an employer fails to pay social insurance contributions on time and in full, the social insurance authority shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment fine at the rate of 5 per 10,000 shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the authoritative administrative department.</p> <p>Pursuant to Administrative Regulations on the Housing Provident Fund, where, in violation of the provisions of these Regulations, an entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund authority shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.</p>	<p>All of our PRC subsidiaries and branch companies with employees obtained written confirmations from the relevant local social insurance and housing provident fund authorities, each stating that (i) no administrative penalty has been imposed up to the date of the written confirmation; and/or (ii) the relevant PRC subsidiary/branch company was in compliance with the respective laws and regulations. We are advised by our PRC Legal Advisers that the relevant confirmations were issued by the competent PRC Government authorities.</p> <p>As to our social insurance fund, on 8 August 2019 and 9 August 2019, our PRC Legal Advisers conducted face-to-face interview with Taxation Bureau of Fuzhou Economic and Technological Development Zone of State Administration of Taxation (國家稅務總局福州經濟技術開發區稅務局) and Labour Inspection Brigade of Human Resources and Social Insurance Bureau of Fuzhou Economic and Technological Development Zone (福州市經濟技術開發區人力資源和社會保障局勞動監察大隊), respectively. It was confirmed that</p> <p>(a) Taxation Bureau of Fuzhou Economic and Technological Development Zone of State Administration of Taxation (國家稅務總局福州經濟技術開發區稅務局) and Labour Inspection Brigade of Human Resources and Social Security Bureau of Fuzhou Economic and Technological Development Zone (福州市經濟技術開發區人力資源和社會保障局勞動監察大隊) would not require us to make any repayment or overdue fine for our previous non-compliance incidents on the contribution to social insurance fund and (b) we have been complied with the relevant laws and regulations or the local requirements of Fuzhou until the interview date. We are advised by our PRC Legal Advisers that the face-to-face interview was conducted with the competent PRC Government authority.</p> <p>As to our housing provident funds, on 9 August 2019, our PRC Legal Advisers conducted face-to-face interview with Fuzhou Housing Provident Fund Management Center Urban Management Department (福州住房公积金管理中心城區管理部). It was confirmed that, among others, (a) Fuzhou Housing Provident Fund Management Center Urban Management Department generally would not require us to make any repayment or impose any administrative penalty on us for the previous non-compliance incidents on the contribution to housing provident fund and (b) we have made contribution to housing provident fund in accordance with the relevant laws and regulations or the local requirements of Fuzhou until the interview date. We are advised by our PRC Legal Advisers that the face-to-face interview was conducted with the competent PRC Government authority.</p> <p>We made provisions in the total amount of approximately RMB1.0 million, RMB0.2 million, nil and nil, respectively, on our financial statements in respect of such potential liabilities for each of the three years ended 31 December 2018 and the five months ended 31 May 2019, representing the shortfall of contribution in the respective periods.</p> <p>As at Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant Government authorities with respect to this incident, nor had any order been received by our Group to settle the outstanding amount of social insurance or housing provident fund contributions. We are not aware of any employees complaints or demand for payment of social insurance contributions and housing provident fund contributions, nor had we involved in any disputes in this regard.</p> <p>Our Directors have undertaken to use their best endeavors to comply with the applicable laws and regulations. As at the Latest Practicable Date, we have made social insurance contributions and housing provident fund contributions for all of our employees.</p> <p>Based on the foregoing, our Directors are of the view that the incident will not have a material adverse impact on our operations and financial conditions.</p>

BUSINESS

Non-compliance incidents and reasons for the incidents	Consequences of the non-compliance incidents	Remedies and internal control measures
<p>(2) <i>Delay in the publication of the announcement</i></p> <p>During the listing on the NEEQ, Jianzhong Construction Technology failed to publish its 2017 annual report and the relevant announcement(s) on the information disclosure platform on the NEEQ system in a timely manner, which was in violation of the Rules for the National Equities Exchange and Quotations (Trial) (全國中小企業股份轉讓系統業務規則(試行)) and the Detailed Rules of the National Equities Exchange and Quotations System on Information Disclosure of Listed Companies (全國中小企業股份轉讓系統掛牌公司信息披露細則).</p> <p>The non-compliance incident was mainly due to the power outage of State Grid Fuzhou Electric Power Supply Company on 27 November 2017. On 29 March 2018, Fujian Zhongzheng Judicial Identification Centre (福建中證司法鑑定中心) confirmed that as a result of such power outage, the server in which the warehouse system was installed could no longer function and the 2017 warehouse data which was saved in such system could not be recovered. Considering that we could not retrieve the warehouse data for the year 2017 from the server and the amount of time required to replenish such data, we were not able to publish our 2017 annual report and the relevant announcement(s) in a timely manner.</p>	<p>Pursuant to Business Rules of National Equities Exchange and Quotations (for Trial Implementation), if a NEEQ-listed company fails to disclose annual reports or interim reports within prescribed periods shall apply to NEEQ for suspension of transfer, till the disclosure according to the provisions and elimination of related circumstances; if a NEEQ-listed company fails to disclose annual reports or interim reports within prescribed periods, and still fails to disclose the same within two months from the expiration of such prescribed periods, NEEQ Company shall de-list its stocks.</p>	<p>After the incident, a coordination meeting was held between Jianzhong Construction Technology and the then responsible professional parties to address the issues. Jianzhong Construction Technology had rectified this non-compliance by replenishing the relevant original data, coordinating with the accountants for the audit work and publishing the 2017 annual report (announcement no.: 2018-035) and summary of the 2017 annual report (announcement no.: 2018-034) to the information disclosure platform on the NEEQ system on 19 June 2018.</p> <p>Our Directors believe that the foregoing non-compliance incident has not caused or will not cause any material and adverse financial or operational impact on us due to the following:</p>
		<ol style="list-style-type: none"> (1) In order to enhance the safety of data, the Group purchased the ERP management module of Kingdee's K3Cloud product which is used for cloud-based data deployment; (2) In terms of data administration, the designated staff is required to conduct local back-up of various business data on a daily basis so as to prevent reoccurrence of such event; (3) Currently, cloud-based backup is applied for the Group's systems in operation, with backup of Kingdee's system at Kingdee Cloud and Weaver OA system at Huawei Cloud. Moreover, the Group is preparing to upgrade its local backup system which is at the stage of bidding and determination of specification; and (4) our Controlling Shareholders have irrevocably undertaken to us that they will indemnify us against all losses, claims, penalties, fines, and expenses as a result of such non-compliance.

BUSINESS

Non-compliance incidents and reasons for the incidents	Consequences of the non-compliance incidents	Remedies and internal control measures
<p>(3) Failed to adhere to certain quality and safety measures during the construction of a foundation works project in Nanping City, Fujian Province.</p> <p>During the Track Record Period, Jianzhong Construction Technology, being the subcontractor of the foundation works of the construction works project, failed to adhere to certain quality and safety measures in relation to one of its foundation work projects located in Nanping City, Fujian Province. The quality and safety measures that we failed to adhere to include, but was not limited to (i) failure to install closed fences or enclosures around the construction site; (ii) failure to install entrance gate, car wash station and equipment, sedimentation tank; (iii) failure to install dust proof facilities at the construction site; (iv) fail to apply for drainage permit for the construction site; and (v) discharged of sewage wastewater directly without being treated by sedimentation.</p> <p>The above non-compliance occurred mainly due to (i) mis-communication of our project manager with relevant government authorities relating to the status of the construction site (and inadequate internal control procedures and policies).</p>	<p>Pursuant to Measures for Dynamic Supervision and Control of Quality and Safety of Construction Projects in Fujian Province (福建省建設工程質量安全動態監管辦法), a total of 35.54 and 47.00 demerit points were given to Jianzhong Construction Technology on 13 June 2018 and 18 June 2018, respectively. As a result, Jianzhong Construction Technology was listed on the blacklist of bad records in Nanping City (the “Blacklist of Bad Records”) from 22 October 2018 to 21 April 2019 (the “Relevant Period”) according to Implementation Measures for the Management of the Blacklist of Bad Records of the Responsible Subjects of Construction Projects in Nanping City (Trial) (南平市建設工程責任主體不良記錄“黑名單”管理實施辦法試行)).</p> <p>Pursuant to the relevant laws and regulations of Nanping City, during the Relevant Period, Jianzhong Construction Technology was, among other restrictions, (i) debarred from undertaking construction projects that were invested with state-owned capital and municipal infrastructure projects in Nanping City; (ii) required to implement stringent construction site remote video surveillance systems for its constructions in process and (iii) required to under the stringent supervision by the Housing and Urban-Rural Development authority.</p>	<p>On 22 April 2019, we were removed from the Blacklist of Bad Records.</p> <p>As confirmed by our Directors, we have not been subject to any administrative penalties nor received any penalty notice as a result of such non-compliance incident during the Track Record Period and up to the Latest Practicable Date.</p> <p>Our Directors believe that the foregoing non-compliance incident has not caused or will not cause any material and adverse financial or operational impact on us due to the following:</p> <ol style="list-style-type: none"> (1) We did not undertake construction projects that were invested with state-owned capital and municipal infrastructure projects in Nanping City during the Relevant Period. After the Relevant Period and up to the Latest Practicable Date, we did not receive any complaint or administrative penalties notice from relevant government authorities; (2) We have already been removed from the Blacklist of Bad Records in Nanping City and save for the foundation work project mentioned above, we have not undertaken any other construction works project in Nanping City as at the Latest Practicable Date; (3) We have enhanced internal control measures and provided relevant training to employees to avoid the recurrence of such non-compliance incident; (4) In 2019, Jianzhong Construction Technology was issued with third class main contractor in general construction works qualification; (5) We have designated staff to keep track of the status of construction works projects we have undertaken to ensure strict compliance with the relevant PRC laws and regulations including but not limited to: (i) obtaining or examining relevant building construction work permits (建築工程施工許可證) before commencement of construction works; (ii) enhancing internal control measures and providing relevant training to employees to avoid the recurrence of such non-compliance incident; and (iii) a regular reporting system having been established between the on-site project manager and our management to ensure effective communication.
		<p>Based on the foregoing, our PRC Legal Advisers are of the view that (i) the inclusion on the Blacklist of Bad Records is not regarded as an administrative punishment; and (ii) our Group’s potential for administrative punishment for such non-compliance is relatively low.</p>

BUSINESS

After considering the non-compliance issues, the remedial actions taken by our Group, our business nature and operation scale and the results of internal control review conducted by our independent internal control consultant and the enhanced internal control measures adopted by our Group, our Directors are satisfied, and the Sole Sponsor concurs that our internal control measures are adequate and effective for our current operation environment. Moreover, as our Directors consider that the non-compliance incidents (i) did not involve any dishonesty or any fraudulent act on the part of our Directors and did not raise any question as to the integrity of our Directors; (ii) our Group has fully rectified all of the non-compliance incidents as mentioned above; and (iii) our Group has adopted and will, on a continuous basis, implement the internal control measures to avoid recurrence of the non-compliance incidents, the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability for [REDACTED] of our Company under Rule 8.04 of the Listing Rules and that our Executive Directors are competent to manage our Group's business in a law abiding manner.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), MHX Investment BVI will hold approximately [REDACTED]% of the total issued share capital of our Company. MHX Investment BVI is a company incorporated in the BVI with limited liability and beneficially wholly-owned by Mr. Xun MH. MHX Investment BVI and Mr. Xun MH will be considered as the Controlling Shareholders of our Company under the Listing Rules upon [REDACTED]. Please see “History, Reorganisation and Corporate Structure” for further details of our corporate structure.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after [REDACTED].

Management Independence

Our Board comprises three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. Please see “Directors and Senior Management” for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our Independent Non-executive Directors can bring independent judgement to the decision-making process of our Board.

The daily operation of our Group is carried out by an independent and experienced management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and R&D on a standalone basis.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our interest in our Company after [REDACTED], we have full rights to make all decisions regarding, and carry out, our own business operations independently. We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licenses, approvals and certificates to carry on our business and we have sufficient operational capacity in term of capital and employees to operate and manage independently. We do not rely on our Controlling Shareholders or their respective close associates for our operations. We have independent access to suppliers, customers and subcontractors and an independent management team (including our Directors and senior management) to handle our daily operations. We have our own headcount of employees for our operations and management for human resources. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business. During the Track Record Period and up to the Latest Practicable Date, save as disclosed in “Connected Transactions” , there were no material business dealings between our Group and our Controlling Shareholders, our Group did not share any operational resources, such as sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after [REDACTED].

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Group. The finance department is independent from our Controlling Shareholders. We make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, financial and accounting system and financial management system.

As at Latest Practicable Date, [the non-trade related amounts due to or from our Controlling Shareholders, or companies controlled by him/it had been fully settled and our Group has obtained consent from the banks to release all guarantees and securities provided to us by our Controlling Shareholders and their close associates which will be replaced by the corporate guarantee provided by our Company upon [REDACTED] (as applicable).]

As none of loans, guarantees or securities provided by our Controlling Shareholders in favour of our Group will continue after [REDACTED], we will not rely on our Controlling Shareholders for financing after the [REDACTED] and we will have sufficient working capital to operate our business independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Corporate Governance Measures

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the minority Shareholders, including:

- (i) if a Director has a material interest in a particular transaction, he/she shall abstain from voting in any matters relating to such transaction being considered at the Board meeting and he/she will not be counted as a quorum of the Board meeting;
- (ii) if disinterested Directors (including the Independent Non-executive Directors) reasonably seek to obtain independent and professional advice (such as financial adviser and/or legal advice), the costs incurred for obtaining such advice will be borne by our Company;
- (iii) the Independent Non-executive Directors will review the compliance with the undertakings under the Deed of Non-competition by our Controlling Shareholders on an annual basis;
- (iv) our Controlling Shareholders will provide or procure the provision of all necessary information required for the Board's annual review of compliance with the Deed of Non-competition;
- (v) our Company will disclose in its annual report the decisions (if any) of the Independent Non-executive Directors on matters relating to the business, investment or other business opportunities ("**New Business Opportunities**") and the relevant basis;
- (vi) our Controlling Shareholders will make an annual declaration on their compliance with the Deed of Non-competition in our annual report; and
- (vii) we have appointed VMS Securities Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the Listing Rules including various requirements relating to Directors' duties and corporate governance.

Further, our Company is committed to the view that our Board should include a balanced composition of Directors (including Independent Non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgement. Our Independent Non-executive Directors, details of whom are set out in "Directors and Senior Management", individually and together possess the requisite knowledge and experience to be a member of our Board. All of our Independent Non-executive Directors are experienced and will provide impartial and professional advice to protect the interest of our minority shareholders.

Following the [REDACTED], the transactions between members of our Group and our connected persons will constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders and our Directors has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

For the purpose of the [REDACTED], our Controlling Shareholders have entered into the Deed of Non-competition, pursuant to which each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/it would not, and would procure that his/its close associates (except any members of our Group) would not directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any Restricted Business (as defined below) (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person), save for the exceptions as set out in "Exceptions" below.

"Restricted Business" stated in the Deed of Non-competition refers to any activity or business which competes, or is likely to compete, either directly or indirectly, with (i) the existing business activities of our Group as set out in "Business"; and (ii) other principal business activities to be engaged by our Group from time to time.

Each of our Controlling Shareholders has also undertaken to our Company to provide all information requested by our Company which is necessary for the annual review by our Independent Non-executive Directors and the enforcement of the Deed of Non-competition and each of them has further undertaken to our Company (for itself and for the benefit of each other member of our Group) that in the event that he/it or his/its close associate(s) (other than any member of our Group) (the "Offeror") is given/identified/offered any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business (the "New Opportunity"), he/it will and will procure his/it close associates to refer the New Opportunity to our Company as soon as practicable in the following manner:

- (i) each of our Controlling Shareholders is required to, and shall procure his/its close associates (other than any member of our Group) to, refer, or to procure the referral of, the New Opportunities to our Company, and shall give written notice (the "Offer Notice") to our Company of any New Opportunity containing all information reasonably necessary for our Company to consider whether (a) such New Opportunity would constitute competition with our Group's core business or the Restricted Business; and; (b) it is in the interest of our Group to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment of acquisition costs; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) upon receiving the Offer Notice, our Company shall seek approval from a board committee (comprising, among others, all our Independent Non-executive Directors who do not have an interest in the New Opportunity) (the "**Independent Board**") as to whether to pursue or decline the New Opportunity. Any Director who has actual or potential interest in the New Opportunity shall not be a member of the Independent Board and shall abstain from attending (unless his/her attendance is specifically requested by the Independent Board) and voting at, or counting towards the quorum for, any meeting or part of a meeting convened to consider such New Opportunity;
 - (a) the Independent Board shall consider the financial impact of pursuing the New Opportunity, whether the nature of the New Opportunity is consistent with our Group's strategies and development plans and the general market conditions; if appropriate, the Independent Board may, at the cost of our Company, appoint independent financial advisers, legal advisers and other professional experts to assist in the decision-making process in relation to such New Opportunity;
 - (b) the Independent Board shall, within 20 business days upon receipt of the Offer Notice, inform the relevant Controlling Shareholder in writing on behalf of our Company of its decision whether to pursue or decline the New Opportunity. Such notice period can be extended if mutually agreed in writing;
 - (c) the relevant Controlling Shareholder shall be entitled but not obliged to pursue such New Opportunity on such terms and conditions which are not more favourable than those disclosed to our Company if he or it has received a notice from the Independent Board declining such New Opportunity or if the Independent Board has failed to respond within such 20 business days period (or any extended period, where applicable) pursuant to sub-paragraph (ii)(b) above; and
 - (d) if there is any material change in the nature, terms or conditions of such New Opportunity pursued by the relevant Controlling Shareholder, he or it shall refer such New Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were as New Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Exceptions

The aforesaid undertakings do not apply to the holding of or interests in shares or other securities by our Controlling Shareholders and/or their respective close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a stock exchange and either:

- (i) the Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10.0% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
- (ii) the total number of the shares held by the relevant Controlling Shareholder and his/its close associates does not exceed 10.0% of the issued shares of that class of that company, provided that such Controlling Shareholder and his/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate with his/its close associates) whose shareholding in that company should be more than the aggregate number of shares held by such Controlling Shareholder and his/its close associates.

The obligation of our Controlling Shareholders under the Deed of Non-competition shall cease to have any effect whatsoever upon the occurrence of the earliest of (i) the day on which our Shares cease to be [REDACTED] on the Main Board of the Stock Exchange; (ii) the day on which our Controlling Shareholders and their close associates, individually or taken as a whole, cease to own, in aggregate, 30.0% or more of the then issued share capital of our Company directly or indirectly, or cease to be deemed as a controlling shareholder and cease to have power to control the board of directors of our Company; and (iii) the day of which our Controlling Shareholders beneficially own or become interested jointly or severally in the entire issued share capital of our Company.

CONNECTED TRANSACTIONS

(A) CONNECTED PERSONS

Immediately following the completion of the [REDACTED], the following entities will be our connected persons with whom we will have connected transactions:

<u>Name</u>	<u>Relationship with our Company</u>
Xiapu Jinghai Property Co., Ltd (“ Xiapu Property ”)	Xiapu Property is wholly owned by Fujian Runjiang, a company owned as to 95.0% by Mr. Xun MH. Mr. Xun MH is one of our Executive Directors and Controlling Shareholders and hence a connected person of our Company. As Mr. Xun MH holds more than 30.0% equity interests in Fujian Runjiang, each of Fujian Runjiang and Xiapu Property (being a subsidiary of Fujian Runjiang) is considered an associate of Mr. Xun MH and a connected person of our Company under Chapter 14A of the Listing Rules.
Fuzhou Development Zone Mingxin Construction Material Trading Co., Ltd (“ Mingxin Construction ”)	Mingxin Construction is owned by Mr. Xun MH as to 49.0% and by Fujian Runjiang as to 51.0%, respectively. Mr. Xun MH is one of our Executive Directors and Controlling Shareholders and hence a connected person of our Company. As Mr. Xun MH holds more than 30.0% equity interests in Mingxin Construction, Mingxin Construction is considered as an associate of Mr. Xun MH and a connected person of our Company under Chapter 14A of the Listing Rules.
Fujian Runjiang	Fujian Runjiang is owned as to 95.0% by Mr. Xun MH who is one of our Executive Directors and Controlling Shareholders and hence a connected person of our Company. As Mr. Xun MH holds more than 30.0% equity interests in Fujian Runjiang, Fujian Runjiang is considered an associate of Mr. Xun MH and a connected person of our Company under Chapter 14A of the Listing Rules.
Conch Venture Henghai Investment (Zhuhai) Co., Ltd (“ Conch Venture Henghai ”) [REDACTED]	Conch Venture Henghai is wholly owned by the [REDACTED], our substantial Shareholder. Conch Venture Henghai is considered an associate of our [REDACTED] and a connected person of our Company under Chapter 14A of the Listing Rules. The [REDACTED] is our substantial Shareholder and hence a connected person of our Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

(B) ONE-OFF CONNECTED TRANSACTION

1. Project-based Provision of Foundation Works Service

Description of the transaction

On 1 November 2018, Jianzhong Construction Technology entered into a construction contract for construction works projects (“**Construction Contract**”) with Xiapu Property, pursuant to which, Xiapu Property engaged our Group to provide foundation works service for a building construction works project, with an aggregate site area of approximately 37,000 sq.m.. The total contract sum under the Construction Contract is RMB13.0 million of which approximately RMB12.5 million was recognised as revenue during the Track Record Period. Our Directors expect that the project will be completed in the fourth quarter of 2019 and the remaining amount of approximately RMB0.5 million (subject to further adjustment) will be recognised after the Track Record Period. Upon completion of the foundation works as mentioned above, our Company currently expects no additional work orders will be entered into with Xiapu Property in the near future.

Reasons for the transaction

We were engaged by Xiapu Property to provide foundation works service for the following reasons.

- (i) we have extensive knowledge and experience in providing foundation work service; and
- (ii) we are more familiar with their business as compared to other independent third parties. Leveraging on our better understanding on their business and through more efficient and effective communication, we can complete the project within a relatively shorter period.

Pricing policy

The fees for the foundation works service under the Construction Contract were determined after arm’s length negotiations with reference to the prevailing market price of similar services offered by independent third parties provided to Xiapu Property.

Listing Rules implications

On the basis that the project-based foundation works service mentioned above is regarded as a one-off connected transaction entered into by Jianzhong Construction Technology prior to the [REDACTED], rather than a continuing connected transaction, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable.

CONNECTED TRANSACTIONS

2. Tenancy Agreements

As at the Latest Practicable Date, our Group has entered into various tenancy agreements with our connected persons (collectively the “**Tenancy Agreements**”) in respect of the following leased properties located in the PRC. The following table sets out the principal terms of the Tenancy Agreements:

Lessor	Tenant	Property Address	Term	Approximate gross floor area	Monthly rent	Use of property
Ming Xin Construction	Jianzhong Construction Technology	20/F Jinlan Building, 33 Zhaoqiang Road, Mawei District, Fuzhou, Fujian, China (Pilot Free Trade Zone) (“ Property 1 ”)	From 1 July 2017 to 30 June 2020	1,300 sq.m.	RMB57,000 (<i>Note 1</i>)	Office
Ming Xin Construction	Jianzhong Logistic	2001A, 20/F, Jinyu Building, 33 Zhaoqiang Road, Mawei District, Fuzhou, Fujian, China (“ Property 2 ”)	From 20 June 2018 to 20 June 2020	23 sq.m.	RMB1,000 (<i>Note 2</i>)	Office
Fujian Runjiang	Jianzhong Engineering Equipment	<ul style="list-style-type: none"> • 69 Changxing East Road, Dongqi Village, Tingjiang Town, Mawei District, Fuzhou (“Property 3”) • 1/F, 2/F, 5/F, 69 Changxing East Road, Dongqi Village, Tingjiang Town, Mawei District, Fuzhou (“Property 4”) 	From 27 October 2018 to 31 December 2019 (<i>Note 3</i>)	<ul style="list-style-type: none"> • 8,600 sq.m. • 1,400 sq.m. 	<ul style="list-style-type: none"> • RMB102,000 for Property 3 • RMB17,000 for Property 4 	<ul style="list-style-type: none"> • Factory for Property 3 • Office for Property 4
Couch Venture Henghai	Guangdong Haizhijian Engineering	Rooms 2001, 2002, 2003, 2004, 20/F, China Huarong Building, No.9 Xing’ao Road, Hengqin, Zhuhai, Guangdong (“ Property 5 ”)	From 1 April 2019 to 31 March 2020	1,900 sq.m.	RMB299,000	Office
[REDACTED]	Jianzhong Construction Technology	Yijiang High-tech Energy-saving Equipment No.6 Factory, South Baimashan Road, Yijiang District (“ Property 6 ”)	From 1 January 2020 to 31 December 2020	20,000 sq.m.	(<i>Note 4</i>)	Factory

Notes:

- When the tenancy agreement for Property 1 was first signed on 1 July 2017, the monthly rent was approximately RMB44,000, exclusive of management fees and utilities. Pursuant to two supplemental agreements dated 20 June 2018 and 14 September 2018, the monthly rent was revised to approximately RMB57,000, exclusive of tax and the rental rate is subject to an increase of 5% each year.
- When the tenancy agreement for Property 2 was first signed on 20 June 2018, the monthly rent was approximately RMB800, inclusive of tax but exclusive of management fees and utilities. Pursuant to a supplemental agreement dated 14 September 2018, the monthly rent was revised to approximately RMB1,000, exclusive of tax and the rental rate is subject to an increase of 5.0% each year.
- Property 3 and Property 4 were first leased by Jianzhong Engineering Equipment in October 2017.
- The monthly rent is subject to confirmation between the parties.

CONNECTED TRANSACTIONS

Historical transaction amounts

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, the historical annual rental rate paid by our relevant Group members, i.e. the tenants in relation to the above rental properties are as follows:

	Historical transaction amounts			
	Year ended 31 December			Five months ended 31 May
	2016	2017	2018	2019
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
Rent payable in relation to Property 1	Nil	260	596	310
Rent payable in relation to Property 2	Nil	Nil	7	6
Rent payable in relation to Property 3 and 4	Nil	240	1,420	592
Rent payable in relation to Property 5	Nil	Nil	Nil	598

Reasons for the transactions

For Property 1, 2, 3 and 4, as our Group has been using the properties historically for our operations, our Directors are of the view that it is in the interest of our Group to enter into the Tenancy Agreements for the purpose of saving of cost and time and maintaining stability instead of finding and relocating to an alternative properties.

For Property 5, the property has been using as Guangdong Haizhijian Engineering’s office to support our business development in the region. Our Directors are of the view that it is in the interest of our Group for the purpose of saving of time and maintaining stability to maintain in the relevant agreement instead of finding an alternative property.

For Property 6, the property will be used as the Group’s factory to support business development in Anhui Province. As the [REDACTED] has more experience and knowledge of Anhui Province property market, our Directors are of the view that it is in the interest of our Group for the purpose of saving of time and maintaining stability to enter in the relevant agreement instead of finding an alternative property.

CONNECTED TRANSACTIONS

Rental pricing policy

The rental prices under the Tenancy Agreements were determined at arm’s length negotiations between the relevant parties and by reference to the prevailing market price of local properties in vicinity with similar size and quality.

Listing Rules implications

On the basis that the Tenancy Agreements mentioned above are regarded as one-off connected transaction entered into by our Group prior to the [REDACTED], rather than a continuing connected transaction, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors consists of three Executive Directors, three Non-executive Director, and three Independent Non-executive Directors. The table below sets forth certain information in respect of the members of our Board.

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Principal Responsibilities	Relationship with other Director(s) and/or senior management
Executive Directors						
Mr. Xun Minghong (荀名紅)	[49]	December 2012	5 February 2019	Chairman, Executive Director, Chief Executive Officer	Supervising our overall management and planning our business strategies	N/A
Mr. He Wenlin (何文林)	[49]	November 2014	5 February 2019	Executive Director, general manager	Overseeing our overall operation and business and technical development	N/A
Ms. Zheng Ping (鄭萍)	[55]	December 2012	5 February 2019	Executive Director, deputy general manager	Overseeing our overall operation and fixed asset and material management	N/A
Non-executive Directors						
Mr. Yang Kaifa (楊開發)	[45]	August 2019	23 August 2019	Non-executive Director	Providing strategic advice to the business and operation of our Group	N/A
Mr. Zeng Guohua (曾國華)	[51]	August 2019	23 August 2019	Non-executive Director	Providing strategic advice to the business and operation of our Group	N/A
Mr. Xun Liangbao (荀良寶)	48	December 2018	23 August 2019	Non-executive Director	Providing strategic advice to the business and operation of our Group	N/A
Independent Non-executive Directors						
Mr. Sze Irons (施榮懷), B.B.S., J.P.	[57]	[•]	[•]	Independent Non-executive Director	Providing independent judgement on our Group’s strategy, performance, resources and standard of conduct	N/A
Mr. Wong Kun Kau (黃灌球)	[58]	[•]	[•]	Independent Non-executive Director	Providing independent judgement on our Group’s strategy, performance, resources and standard of conduct	N/A
Mr. Zhu Diwu (朱地武)	[44]	[•]	[•]	Independent Non-executive Director	Providing independent judgment on our Group’s strategy, performance, resources and standard of conduct	N/A

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board of Directors consists of nine Directors, comprising three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors.

Executive Directors

Mr. Xun Minghong (荀名紅), aged 49, was appointed as a Director of our Company on 5 February 2019 and was redesignated as the Chairman, Chief Executive Officer and an Executive Director on 23 August 2019. Mr. Xun MH is primarily responsible for supervising our overall management and planning our business strategy.

Mr. Xun MH has over 26 years of experience in the PRC construction industry. He accrued years of industry experience during his employment at Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 914) and is a prominent cement producer and supplier in the PRC. Mr. Xun MH had held various positions at Anhui Conch Cement Company Limited during his tenure of employment from July 1993 to December 2002 and his duties covered areas over sales, marketing and management in different working locations including Fujian Province. Subsequently, Mr. Xun MH was employed as a deputy general manager of Tian Xin Trading Company Limited (Fuzhou Development Region) (福州開發區天信貿易有限公司), a Fuzhou-based company principally engaged in the whole sale of construction materials, steel profiles and hardware accessories from January 2003 to August 2004.

Upon accumulating sufficient experience and adequate expertise, Mr. Xun MH and co-established a number of companies with diverse construction-related businesses. From 2004 to 2013, he co-established four companies and undertook a variety of construction works and services: (i) Ming Xin Construction, a company principally engaged in trading of cement; (ii) Fujian Runjiang, an investment holding company; (iii) Jianzhong Labour Engineering Co., Ltd, a company principally engaged in construction labour subcontracting; and (iv) Fujian Jianzhong Decoration Engineering Co., Ltd (福建建中裝修裝飾工程有限公司), a company principally engaged in decoration services.

By virtue of his diversified knowledge and experience in the construction industry, Mr. Xun MH also accumulated a variety of business connects within a network of reputable construction enterprises and contractors in Fujian. Equipped with such industry knowledge, experience and strong business networks, Mr. Xun MH founded Jianzhong Construction Technology on 5 December 2012 and engaged in the leasing of construction machinery, equipment and tools in Fujian. Jianzhong Construction Technology had since then diversified its business to include the provision of a wide spectrum of construction works as its core business.

Mr. Xun MH obtained the graduation certificate of specialised studies in law (法律專業) from Anhui Province Higher Education Self-study Examination Committee (安徽省高等教育自學考試委員會) and Anhui University (安徽大學) in the PRC in June 1993.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xun MH obtained the Qualification Certificate of Specialty and Technology (專業技術資格證書) from the Ministry of Personnel of the PRC (中華人民共和國人事部) in April 1994, specialising in the area of logistics economics (運輸經濟專業).

Mr. Xun MH was the legal representative, director and/or supervisor of the following companies which were incorporated in the PRC and subsequently deregistered during his tenure:

<u>Name of company</u>	<u>Position</u>	<u>Nature of business</u>	<u>Reasons of deregistration</u>
Fuzhou Jinshan Tea Center Tea Trading Market Co., Ltd.* (福州金山茶城茶葉交易市場有限公司)	Executive Director	Tea trading	Cessation of business

As confirmed by Mr. Xun MH, the above company was solvent at the time of its deregistration and as far as he was aware, the deregistration of such company has not resulted in any liability or obligation imposed against him.

Mr. He Wenlin (何文林), aged [49], has been the general manager and a director of Jianzhong Construction Technology since November 2014 and since June 2016, respectively. He was appointed as a Director of our Company upon its incorporation on 5 February 2019 and was redesignated as an Executive Director on 23 August 2019. Mr. He is primarily responsible for overseeing our overall operation and business and technical development. Mr. He also leads our R&D Team.

Mr. He has over 25 years of experience in the construction industry. Mr. He had held various positions at CSCEC Strait Construction and Development Co. Ltd. (中建海峽建設發展有限公司) (previously known as China Construction Seventh Engineering Division Third Construction Co., Ltd (中建七局第三建築有限公司)), with his last position as a department manager.

Mr. He graduated from Shenyang Institute of Construction and Engineering (瀋陽建築工程學院) (currently known as Shenyang Jianzhu University (瀋陽建築大學)), the PRC in July 1994 and specialised his studies in mechanical design and production (機械設計與製造專業).

Mr. He obtained a qualification certificate as senior engineer (高級工程師資格證書) from China Construction Seventh Engineering Department (中國建築第七工程局) in December 2005.

Ms. Zheng Ping (鄭萍), aged [55], was a director of Jianzhong Construction Technology from December 2012 to October 2015 and subsequently served as the deputy general manager and director of Jianzhong Construction Technology since November 2015 and since June 2016, respectively. She was appointed as a Director of our Company upon its incorporation on 5 February 2019 and was redesignated as an Executive Director on 23 August 2019. Ms. Zheng is primarily responsible for overseeing our overall operation and fixed asset and material management.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zheng has over 26 years of experience in the construction industry. From February 1993 to March 2008, Ms. Zheng worked as an assistant general manager of Fujian Province Jianfu Bulk Cement Co., Ltd. (福建省建福散裝水泥有限公司), a then subsidiary of Fujian Cement Inc. (福建水泥股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (SSE Stock Code: 600802). From April 2008 to November 2012, Ms. Zheng worked as a deputy general manager of Ming Xin Construction, a company principally engaged in the trading of cement.

Ms. Zheng obtained the graduation certificate of her specialised studies in computer application (計算機及應用專業) from Fujian Province Higher and Secondary Professional Education Self-study Examination Steering Committee (福建省高等與中等專業教育自學考試指導委員會), Xiamen University (廈門大學) and Fuzhou University (福州大學) in the PRC in December 1993.

Ms. Zheng obtained the Qualification Certificate of Specialty and Technology (專業技術資格證書) from the Ministry of Personnel of the PRC (中華人民共和國人事部) in December 1996, specialising in materials economics (物資經濟). She also obtained a qualification certificate as an assistant engineer (助理工程師) specialising in industrial and electrical automisation (工業電氣自動化) from Fuzhou City Personnel Bureau (福州市人事局) in May 1989.

Ms. Zheng was the legal representative, director and/or supervisor of the following companies which were incorporated in the PRC and subsequently deregistered during her tenure:

<u>Name of company</u>	<u>Position</u>	<u>Nature of business</u>	<u>Reasons of deregistration</u>
Fuzhou Jianlian Bulk Cement Transportation Co., Ltd.* 福州建煉散裝水泥運輸有限公司	Director	Transportation of cement	Cessation of business

As confirmed by Ms. Zheng, the above company was solvent at the time of its deregistration and so far as she was aware, the deregistration of such company has not resulted in any liability or obligation being imposed against her.

Non-executive Directors

Mr. Yang Kaifa (楊開發), aged 45, was appointed as a Non-executive Director of our Company on 23 August 2019. Mr. Yang has extensive experience in securities management and the PRC capital market. From July 1996 to July 2017, Mr. Yang worked in Anhui Conch Cement Company Limited(安徽海螺水泥股份有限公司), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 914) where he served, among others, as assistant to the officer-in-charge (主任助理), deputy officer-in-charge (副主任) and officer-in-charge (主任) of the secretariat to the board of directors (董事會秘書室), secretary to the board of directors (董事會秘書), as well as deputy officer-in-charge of the regional management committee in Jiangxi Region (江西區域管理委員會副主任). Mr. Yang's major duties in Anhui Conch Cement Company Limited covered areas over company secretarial, securities affairs and general management functions. Since July 2017 and July 2019, Mr. Yang has served as a deputy general manager (副總經理) and general manager (總經理) of the [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang obtained a bachelor degree of arts (文學學士) studies specialised in foreign linguistics in English (外語系英語) from Anhui University (安徽大學) in the PRC in July 1996.

Mr. Yang obtained the Qualification Certificate of Specialty and Technology (專業技術資格證書) as a senior economist (高級經濟師) from Anhui Province Human Resources Bureau (安徽省人事廳) in May 2009.

Mr. Yang was the legal representative, director and/or supervisor of the following companies which were incorporated in the PRC and subsequently deregistered during her tenure:

<u>Name of company</u>	<u>Position</u>	<u>Nature of business</u>	<u>Reasons of deregistration</u>
Shanghai Juxin Investment Development Co., Ltd.* (上海聚鑫投資發展有限公司)	Director	Investment holding	Cessation of business

As confirmed by Mr. Yang, the above company was solvent at the time of its deregistration and so far as he was aware, the deregistration of such company has not resulted in any liability or obligation being imposed against him.

Mr. Zeng Guohua (曾國華), aged [51], was appointed as a Non-executive Director of our Company on 23 August 2019. Mr. Zeng has over 24 years of experience in the PRC construction industry. Mr. Zeng joined Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), a company which shares are listed on the Main Board of the Stock Exchange (stock code: 914) in May 1995 and held several positions such as (i) head of the cement works technical department; (ii) head of engineering technical department; and (iii) committee member of the Indonesia regional management committee (印尼區域管理委員會委員). Since June 2019, Mr. Zeng has been the assistant in the office of general manager (總經辦助理) of the [REDACTED].

Mr. Zeng completed his studies specialised in port and channel engineering (港口及航道工程) from Changsha Communications College (長沙交通學院) (currently known as Changsha University of Science and Technology (長沙理工大學)), the PRC in July 1991.

Mr. Zeng obtained a qualification certificate as an engineer (工程師) specialising in industrial and civil engineering (工民建) from Anhui Professional Titles Reform Work Leading Group (安徽省職稱改革領導小組) in March 1999.

Mr. Xun Liangbao (荀良寶), aged 48, was appointed as a Non-executive Director of our Company on 23 August 2019. Mr. Xun LB completed his studies specialised in public management (公共管理) from the Party School of Anhui Provincial Committee of the Communist Party of China (中共安徽省委黨校) in December 2007. He served as a deputy officer-in-charge (副主任) and officer-in-charge (主任) of the service center at the Anhui Bengbu Municipal People's Government Office (安徽蚌埠市人民政府辦公室) from March 1993 to March 2018. He was employed as a vice general manager of the Bengbu Branch of Jiangsu Wan Rong Construction Technology Co., Ltd. (江蘇萬融工程科技有限公司蚌埠分公司) from March 2018 to December 2018. He has since then been a director of Jianzhong Construction Technology from December 2018 onwards.

DIRECTORS AND SENIOR MANAGEMENT

He obtained the Certificate of Registered Constructor in Construction Works (建築工程註冊建造師證書) from the Anhui Provincial Department of Housing and Urban-Rural Development (安徽福建省住房和城鄉建設廳) in May 2010.

Mr. Xun was the legal representative, director and/or supervisor of the following companies which were incorporated in the PRC and subsequently deregistered during her tenure:

<u>Name of company</u>	<u>Position</u>	<u>Nature of business</u>	<u>Reasons of deregistration</u>
Bengbu Wanda Trading Development Company* (蚌埠萬達貿易發展總公司)	Legal Representative	Investment holding	Cessation of business

As confirmed by Mr. Xun, the above company was solvent at the time of its deregistration and so far as he was aware, the deregistration of such company has not resulted in any liability or obligation being imposed against him.

Independent Non-executive Directors

Mr. Sze Irons (施榮懷), B.B.S., J.P., aged [57], was appointed to our Board on [•] and does not hold any position with other members of our Group. Mr. Sze was appointed the Justice of the Peace in 2011 and was awarded the Bronze Bauhinia Star by the Hong Kong Government in 2015. He is currently the vice supervisor of the Committee of Human Resources and Environment of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會人口資源環境委員會副主任), a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議北京市委員會委員), as well as the Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong.

Mr. Sze has been a member of the HKSAR Election Committee since 2006; and is currently a member of the HKSAR Labour Advisory Board for 2019–2020.

Mr. Sze has been a director of Hang Tung Resources Holding Limited, a private company in Hong Kong, since March 1984. The company is principally engaged in property investment, import and export trading, provision of management services and shares investment. He is principally responsible for the day-to-day management of its business operations, as well as the overall strategic planning of the company.

Mr. Sze is currently an independent non-executive director of a number of listed companies on the Stock Exchange, including, (i) Best Mart 360 Holdings Limited (stock code: 2360), a company principally engaged in the operation of a leisure food retailer chain, from December 2018; (ii) ST International Holdings Company Limited (stock code: 8521), a provider of functional knitted fabrics, from April 2018; (iii) Chevalier International Holdings Limited (stock code: 25), a company principally engaged in the construction and property-related businesses, from November 2016; and (iv) Continental Holdings Limited (stock code: 513), a company principally engaged in the jewellery industry, from October 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sze was appointed as a non-executive director of two companies listed on the Stock Exchange, including, (i) China Weaving Materials Holdings Limited (stock code: 3778), a company principally engaged in the manufacturing of yarn products, from May 2011 to June 2019; and (ii) Bel Global Resources Holdings Limited (stock code: 761) since February 2017. The trading in the shares of Bel Global Resources Holdings Limited had been suspended since 4 July 2011 and the listing of the shares was cancelled by the Stock Exchange with effect from 24 August 2018.

Mr. Sze was a director of a number of private companies which were incorporated in Hong Kong and dissolved by way of (i) deregistration; (ii) striking off by the Registrar of Companies of Hong Kong pursuant to section 291 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies (WUMP) Ordinance (the “**Predecessor Companies Ordinance**”); or (iii) creditors’ voluntary winding up pursuant to section 248 of the Predecessor Companies Ordinance. The details of the dissolution of such companies are particularised below:

	<u>Company name</u>	<u>Principal business activity</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
1	Jack King Limited (崑崙有限公司)	No business operation	9 February 2001	Deregistration (<i>Note 1</i>)
2	Glory Hall Properties Limited (國鴻置業有限公司)	No business operation	21 September 2001	Striking off (<i>Note 2</i>)
3	Best Liaison International Limited (順騰國際有限公司)	No business operation	6 September 2002	Striking off (<i>Note 2</i>)
4	King Mate (H.K.) Limited (帝業(香港)有限公司)	No business operation	6 September 2002	Striking off (<i>Note 2</i>)
5	Realgood International Investment Limited (利好國際投資有限公司)	No business operation	6 September 2002	Striking off (<i>Note 2</i>)
6	Grandrays Precision Products Limited (輝旺工業有限公司)	No business operation	11 October 2002	Striking off (<i>Note 2</i>)
7	Sun Fortune Properties Limited (信祥置業有限公司)	No business operation	20 June 2003	Striking off (<i>Note 2</i>)
8	Yan Tung Investment Limited (燕通投資有限公司)	No business operation	20 June 2003	Striking off (<i>Note 2</i>)
9	Flamingo Property Agency Limited (紅旗地產代理有限公司)	No business operation	4 March 2005	Deregistration (<i>Note 1</i>)

DIRECTORS AND SENIOR MANAGEMENT

	<u>Company name</u>	<u>Principal business activity</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
10	Berco Group Company Limited (保高集團有限公司)	No business operation	13 April 2007	Deregistration (<i>Note 1</i>)
11	Treasure Properties Limited (達威置業有限公司)	Property development	3 August 2007	Creditors' voluntary winding up (<i>Note 3</i>)
12	Capital Hall (Hong Kong) Limited (加豪(香港)有限公司)	No business operation	12 February 2010	Deregistration (<i>Note 1</i>)
13	CMA Marketing Solutions Limited (香港中華廠商聯合會市場策劃及推廣有限公司)	Marketing, public relations, event management and advertising services	15 July 2016	Deregistration (<i>Note 4</i>)
14	Supreme Bright Development Company Limited (浚盈發展有限公司)	No business operation	25 November 2016	Deregistration (<i>Note 4</i>)
15	Grandwin Century Investment Company Limited (領豐世紀投資有限公司)	No business operation	21 December 2018	Deregistration (<i>Note 4</i>)

Notes:

1. Deregistration in this context refers to deregistration under the Predecessor Companies Ordinance.
2. Under section 291 of the Predecessor Companies Ordinance, a company will be struck off if the Registrar Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation.
3. Pursuant to section 228A of the Predecessor Companies Ordinance, where the directors of a company resolved that the company cannot be reason of its liabilities continue its business, they may deliver to the Registrar of Companies in Hong Kong a winding-up statement, appoint a provisional liquidator and call of a creditor's meeting within 28 days from the delivery of the winding-up statement. A liquidator will be appointed at the creditor's meeting. Pursuant to section 248 of the Predecessor Companies Ordinance, after all the affairs of the company have been fully wound up and the liquidator has filled the final accounts and final return to the Registrar of Companies in Hong Kong, the company will be dissolved on the expiration of three months from the registration of such final accounts and final return by the Registrar of Companies in Hong Kong.

Mr. Sze was a director of Treasure Properties Limited, a company incorporated in Hong Kong with limited liability on 7 April 1994. He was one of its director and shareholder since its incorporation. On 11 May 2004, the directors of Treasure Properties Limited filed a statement with the Companies Registry pursuant to section 228A(1) of the Predecessor Companies Ordinance to commence a voluntary winding up of Treasure Properties Limited. Treasure Properties Limited was subsequently dissolved on 3 August 2007.

4. Deregistration in this context refers to deregistration under the Companies (WUMP) Ordinance.

Mr. Sze confirmed that save and except for Treasure Properties Limited, all of the aforementioned companies were solvent at the time of the dissolution. Mr. Sze also confirmed that there was no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of such dissolution. Regarding

DIRECTORS AND SENIOR MANAGEMENT

Treasure Properties Limited, Mr. Sze confirmed that all liquidation documents had already been filed, and the liquidation process of Treasure Properties Limited has been completed and that there was no outstanding unresolved issue relating thereto, and no action had been brought by the creditors or court against him in his capacity as a director of Treasure Properties Limited.

Mr. Sze had been a director/legal representative or chairman of Hunan Rongtong Chemical Fiber Company Limited* (湖南榮通化纖有限公司) Hunan Zhiyue Media Co., Ltd.* (湖南芝越傳媒有限公司) and Hunan Gangxiang Commercial Trading Co., Ltd.* (湖南港湘商貿有限公司), which were established in the PRC and deregistered. He had been a director of Hengtong (Xinyang) Energy Saving Materials Company Limited. Mr. Sze confirmed that each of the aforementioned companies was solvent upon its dissolution, and that the dissolution was not related to him and there was no wrongful act on his part leading to the dissolution. Mr. Sze is also not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Mr. Sze received his degree of bachelor of science from the University of Wisconsin – La Crosse in the USA in May 1985.

Mr. Wong Kun Kau (黃灌球), aged [58], was appointed to our Board on [•] and does not hold any position with other members of our Group. He has over 27 years of experience in investment banking and corporate finance, and is the founder and has been the chief executive officer of Bull Capital Partners Limited, a fund management company specialising in direct investments in the greater China region since May 2008. Mr. Wong also held several senior management positions with reputable financial institutions including BNP Paribas Capital (Asia Pacific) Limited from August 1992 to November 2007, where he left as the Head of investment banking-Asia. He has been an independent non-executive director of REF Holdings Limited (stock code: 1631), a company principally engaged in financial printing services, since August 2015. Within the three years prior to the Latest Practicable Date, Mr. Wong was an independent non-executive director of a number of listed companies on the Stock Exchange, including (i) West China Cement Limited (stock code: 2233), a company principally engaged in the manufacturing and sales of cement and cement products, from July 2010 to May 2019; (ii) Sansheng Holdings (Group) Company Limited (stock code: 2183), a company principally engaged in property development and property investment, from August 2013 to May 2017; and (iii) China Shengmu Organic Milk Limited (stock code: 1432), a company principally engaged in dairy farming business and liquid milk business from June 2014 to June 2017.

Mr. Wong received his bachelor's degree in social science from the University of Hong Kong in November 1982.

Mr. Wong was a director of BNP Paribas Peregrine Investments Limited, which was incorporated in BVI and was registered in Hong Kong as a non-Hong Kong company under part XI of the Predecessor Companies Ordinance, prior to its dissolution by way of liquidation on 23 January 2004. Mr. Wong was also a director of (i) Peregrine Brokerage (China) Limited; (ii) Donwick Limited; and (iii) Might Good Limited, which were both incorporated in Hong Kong, prior to their dissolution by way of creditor's voluntary winding up on 15 June 2002, dissolution by way of deregistration on 22 August 2003 and deregistration by way of deregistration 28 August 2015, respectively. By the special resolution of Peregrine Brokerage (China) Limited dated 15 June 1999, the company was described as not been able, by reason of its liabilities, to continue its

DIRECTORS AND SENIOR MANAGEMENT

business. Mr. Wong confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services and that no misconduct or misfeasance had been involved in the dissolution of these companies.

Save as disclosed above, Mr. Wong did not hold directorships in any public listed companies in the last three years.

Mr. Zhu Diwu (朱地武), aged [44], was appointed to our Board on [•] and does not hold any position with other members of our Group. Since May 2017, he has been the co-founder, chairman and chief executive officer of Shanghai Aihui Health Technology Co., Ltd. (上海愛匯健康科技有限公司), a company principally engaged in the provision of information technology services to hospitals in the PRC since May 2017. He has also been a director of Inventio Capital Management (HK) Limited, a company principally engaged in asset management. Mr. Zhu has been mainly responsible for supervising the overall management in the above two companies.

Mr. Zhu was employed at Deutsche Bank Group from July 2005 to November 2010, where he last served as a director, equities research analyst in the global markets division of the company. Subsequently, Mr. Zhu was employed by Beijing Gao Hua Securities Company Limited from November 2010 to May 2017 and served as a managing director in the global investment research division of the company.

Mr. Zhu completed the study and passed the examinations of the international MBA program co-developed by Fudan University and Massachusetts Institute of Technology in June 2003.

General

Save as disclosed above and elsewhere in this document, each of our Directors (i) did not hold other positions in our Company or other members of our Group at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, Controlling Shareholders or substantial Shareholders of our Company at the Latest Practicable Date and (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed under the paragraph headed “Further information about our Directors — Disclosure of interests” in Appendix IV to this document, none of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO or is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Date of joining our Group	Position	Roles and Responsibilities	Relationship with our Directors and/or other senior management
Mr. Ni Xingshou (倪行壽)	[51]	July 2015	Assistant general manager	The co-management of our business operation	N/A
Mr. Shao Yonghui (邵永輝)	[52]	October 2017	Chief engineer in quality and safety department	(i) Liaison with governmental administrative units and departments in relation to construction works; and (ii) the quality and safety management	N/A
Ms. Feng Rongmei (奉榮美)	[30]	August 2017	Company secretary	Responsible for administrative matters of the Board and financial management	N/A
Mr. Ma Chun Kei (馬潘琦)	[40]	August 2019	Chief financial officer	Responsible for our financial management	N/A

Mr. Ni Xingshou (倪行壽), aged [51], is our assistant general manager. Since July 2015, he has been an assistant general manager of Jianzhong Construction Technology. He is primarily responsible for the co-management of our business operations.

Mr. Ni has over 30 years of experience in the PRC construction industry. He participated in the construction works and served as a quality control officer at Fujian Yongtai No. 3 Construction Engineering Company Limited (福建省永泰第三建築工程公司) from July 1986 to December 1995. He was then employed as a project production manager at Fujian Yongtai Construction Engineering Company Limited (福建省永泰建築工程公司) from January 1996 to December 2006. From January 2007 to June 2015, he was the production manager of the production department of Jianzhong Labour Engineering.

Mr. Ni completed an online learning course of Wuhan Polytechnic University (武漢理工大學), the PRC in June 2006 and specialised his studies in civil engineering (土木工程專業).

Mr. Ni obtained qualification certificates as an engineer (工程師) specialising in industrial and civil engineering (工民建) from Fujian Province Human Resources Bureau (福建省人事廳) in June 2001 and as a Construction Engineering Works Grade II Constructor (建築工程二級建造師) from the Fujian Provincial Department of Housing and Urban-Rural Development (福建省住房和建設廳) in May 2013. He has also obtained the Certificate of Work Safety for Project In-charge Officer in Construction Enterprises (建築施工企業項目負責人安全生產考核合格證書) from Fuzhou Urban-Rural Construction Committee (福州市城鄉建設委員會) since March 2019.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shao Yonghui (邵永輝), aged [52], is our chief engineer of our quality and safety department. He has been the chief engineer and general manager of the quality and safety department (質量安全部) of Jianzhong Construction Technology since October 2017. He is primarily responsible for the (i) liaison with governmental administrative units and departments in relation to construction works; and (ii) the quality and safety management of our Group.

Mr. Shao has over 29 years of experience within the PRC construction industry, specialising in areas such as construction works technology, quality and safety management and construction project management. He was employed at the Fujian Economic and Technological Development Zone Construction Engineering Quality Supervision Branch (福州經濟技術開發區建設工程質量監督站) from September 1989 to October 2012, and was designated as (i) a civil engineering and municipal works supervisor (土建市政監督員); (ii) technical officer-in-charge (技術負責人); and (iii) head of branch during his period of employment. He was then employed as an engineering officer-in-charge at Lanzhou High-Tech Development Company Limited (蘭州高新開發建設有限公司) from November 2012 to June 2017.

Mr. Shao completed his studies specialised in industrial and civil construction (工業民用建築) at Open University of Fujian (福建廣播電視大學), the PRC in July 1989. He also completed an online learning course of Sichuan University (四川大學), the PRC in June 2005, specialising his study in civil engineering management (土木工程(管理)).

Mr. Shao obtained a qualification certificate as a senior engineer for construction technology and management (施工技術與管理高級工程師證書) from Fujian Province Human Resources and Social Security Bureau (福建省人力資源社會保障廳) in May 2007.

Ms. Feng Rongmei (奉榮美), aged [30], is our company secretary. She is primarily responsible for the administrative matters of the Board and financial management of our Group. Since August 2017, she was a secretary to the board of Jianzhong Construction Technology.

Ms. Feng has over 7 years of experience in finance and accounting. From July 2012 to July 2015, she was an audit staff (審計員) in BDO China Shu Lun Pan Certified Public Accountants LLP Shenzhen Branch* (立信會計師事務所(特殊普通合夥)深圳分所). From September 2015 to June 2017, she was a senior manager of Southwest Securities Company Limited (西南證券股份有限公司), a company which is listed in Shanghai Stock Exchange (SSE Stock code: 600369).

Ms. Feng obtained a bachelor degree in management from Guangxi University of Finance and Economics (廣西財經學院), the PRC in July 2012 and majoring her studies in accountancy (會計學專業), minoring in law (法學專業).

Ms. Feng has been registered as a non-practising member of the Shenzhen Association of Registered Accountants (深圳市註冊會計師協會) since August 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma Chun Kei (馬濬琦), aged [40], is our chief financial officer. He is primarily responsible for the financial management of our Group. Since August 2019, he was a chief financial officer of Jianzhong Construction Technology.

Mr. Ma has over 15 years of experience in accounting. From August 2002 to December 2003, he joined KLL Associates CPA Limited as audit junior and subsequently promoted to audit assistant. Thereafter, he joined KPMG in December 2003. During his stay at KPMG, he had held various positions and last held the position of a senior manager in the audit department until his departure in August 2015. From September 2015 to September 2017, he was a chief financial officer and company secretary of CT Environmental Group Limited (中滔環保集團有限公司), a company which is listed on the Stock Exchange (stock code: 1363).

Mr. Ma is a member of the Committee of Chinese People’s Political Consultative Conference (Zengcheng District of Guangzhou, the PRC) (中國人民政治協商會廣州市增城區委員會).

Mr. Ma obtained a degree of bachelor of arts in accountancy from The Hong Kong Polytechnic University in November 2002. Mr. Ma has been registered as a certified public accountant by the Hong Kong Institute of Certified Public Accountants since January 2008.

COMPANY SECRETARY

Mr. Chan Sun Kwong (陳晨光) (“Mr. Chan”), aged [52], joined the Company as company secretary on 23 August 2019. He will assist Ms. Feng Rongmei and is responsible for corporate secretarial matters of our Group.

Mr. Chan obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He has been registered as a fellow member of the Hong Kong Institute of Chartered Secretaries since February 2018, the Institute of Chartered Secretaries and Administrators in the United Kingdom since February 2008, the Institute of Chartered Accountants in England and Wales since July 2017, the Association of Chartered Certified Accountants in the United Kingdom since October 1996 and the Hong Kong Institute of Certified Public Accountants since March 2000. Mr. Chan has also been a mediator of The Hong Kong Mediation Centre since November 2010.

Mr. Chan has over 25 years of experience in accounting, auditing, banking and company secretarial fields. For the period from January 1992 to March 1998, Mr. Chan had served in UDL Management Limited and his last position was a financial controller. He had also served as company secretary of UDL Holdings Limited (now known as DTXS Silk Road Investment Holdings Company Limited) (stock code: 620) from January 1992 to September 1997 and as company secretary of KEL Holdings Limited (now known as Chinese People Holdings Company Limited) (stock code: 681) from March 1997 to September 1997. He has been the sole proprietor of Ken Chan & Co. Certified Public Accountants, since July 1998. He had also served as company secretary of Ming Hing Holdings Limited (now known as Peace Map Holding Limited) (stock code: 402) from November 2005 to October 2006 and company secretary of Powerwell Pacific Holdings Limited (now known as China Trustful Group Limited) (stock code: 8265) from December 2010 to September 2014. He had been the company secretary and an executive director

DIRECTORS AND SENIOR MANAGEMENT

of Sam Woo Holdings Limited (now known as Noble Century Investment Holdings Limited) (stock code: 2322) from March 2003 to June 2011. Mr. Chan had served as an independent non-executive director of Pak Tak International Limited (stock code: 2668) from December 2014 to August 2016.

Mr. Chan currently holds the following positions in other companies listed on the Stock Exchange as follows:

<u>Name of company</u>	<u>Stock Code</u>	<u>Position currently held by Mr. Chan</u>	<u>Period of Services</u>
Altus Holdings Limited . . .	8149	Independent non-executive director	From September 2016 till present
Sam Woo Construction Group Limited	3822	Company secretary	From January 2013 till present
KPa-BM Holdings Limited	2663	Company secretary	From June 2015 till Present
M&L Holdings Group Limited	8152	Joint Company Secretary	From June 2017 till Present
Universe Printshop Holdings Limited	8448	Company Secretary	From June 2017 till Present

Ms. Feng Rongmei (奉榮美), was also appointed as the company secretary of our Company in August 2019. For further information regarding Ms. Feng, see “Senior management” in this section.

BOARD COMMITTEES

Audit Committee

Our Company has established an Audit Committee on [•] with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include, but are not limited to, (i) assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iii) developing and reviewing our policies and practices on corporate governance; (iv) making recommendations to our Board; and (v) ensuring that good corporate governance practices and procedures are established. The Audit Committee consists of three members, Mr. Wong Kun Kau, Mr. Zhu Diwu and Mr. Sze Irons B.B.S. JP.. Mr. Wong Kun Kau is the chairman of the Audit Committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company has established a Remuneration Committee on [•] with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. The Remuneration Committee consists of four members, namely Mr. Zhu Diwu, Mr. Wong Kun Kau, Mr. Sze Irons B.B.S. JP and Mr. Xun MH. Mr. Zhu Diwu is the chairman of the Remuneration Committee.

Nomination Committee

Our Company has established a Nomination Committee on [•] with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and the management of our Board succession. The Nomination Committee consists of four members, namely Mr. Sze Irons B.B.S. JP, Mr. Wong Kun Kau, Mr. Zhu Diwu and Mr. Xun MH. Mr. Sze Irons B.B.S. JP is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. We have adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Code”) and will comply with the code provisions in the Code and the associated Listing Rules. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Company intends to comply with all code provisions in the Corporate Governance Code after the [REDACTED] except for paragraph A2.1 of the Corporate Governance Code, which provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The role of Chairman and Chief Executive Officer of our Company are currently performed by Mr. Xun MH. In view of Mr. Xun MH’s substantial contribution to our Group since establishment and his extensive experience in the construction industry, we consider that having Mr. Xun MH acting as both Chairman and Chief Executive Officer will provide strong and consistent leadership of our Group. We consider it appropriate and beneficial to our business development and prospects that Mr. Xun MH continues to act as both Chairman and Chief Executive Officer after the [REDACTED], and therefore currently do not propose to separate the functions thereof.

DIRECTORS AND SENIOR MANAGEMENT

Directors and senior management’s remuneration

Our Directors and senior management receive compensation in the form of salaries, housing and other benefits in kind and/or discretionary bonuses. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to our Group’s operations. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

During the Track Record Period, the remuneration payable by our Group to our Directors, included salaries, allowances and benefits in kind, discretionary bonuses, restricted scheme contributions and share-based payment, totalling approximately RMB0.4 million, RMB0.8 million, RMB1.1 million and RMB0.2 million, respectively. The aggregate remuneration (salaries and other emoluments, discretionary bonuses, retirement scheme contributions and share-base payment) paid to our five highest paid individuals for the three years ended 31 December 2016, 2017, 2018 and the five months ended 31 May 2019 (other than our Directors) were approximately RMB0.5 million, RMB0.7 million, RMB0.9 million and RMB0.2 million, respectively. For further details, please see Notes 8 and 9 in the Accountants’ Report in Appendix I.

Our Group did not pay remuneration to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Save as disclosed above, no other payments have been made or are payable by our Company or any of our subsidiaries to our Directors in respect of the services rendered during the Track Record Period.

Directors’ remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of our Group.

BOARD DIVERSITY POLICY

We have adopted the board diversity policy which sets out the approach to achieve diversity on our Board in order to enhance the quality of its performance. The board diversity policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy.

DIRECTORS AND SENIOR MANAGEMENT

Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The existing members of the Board were appointed after taking into account the aforesaid factors.

The effective implementation of the board diversity policy requires that our Shareholders are able to judge for themselves whether the Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support. To this end, our Shareholders will be provided with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior general meetings of our Company.

After [REDACTED], our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness. Our implementation of the board diversity policy will be disclosed in our corporate governance report on an annual basis.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management Presence

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 of the Listing Rules in relation to management presence in Hong Kong. For details of the waiver, see “Waivers from Strict Compliance with the Listing Rules” in this document.

Joint Company Secretaries

We have applied to the Stock Exchange for and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and Rule 8.17 of the Listing Rules in relation to the qualifications of one of our joint company secretaries, Ms. Feng Rongmei. For details of the waiver, see “Waiver from Strict Compliance with the Listing Rules” in this document.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Our Company has appointed VMS Securities Limited as our compliance adviser upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities; developments or results of operation of our Group deviate from any forecast, estimate, or other information in this document; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the [REDACTED] and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme pursuant to which selected participants may be granted options to subscribe for Shares as incentives or rewards for their service rendered to our Group. Our Directors believe that the implementation of the Share Option Scheme enables our Group to recruit and retain high calibre executives and employees. Please see "Share Option Scheme" in Appendix IV for further details.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the completion of the [REDACTED] and the Capitalisation Issue (without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme):

	<u>Nominal Value</u>
	<i>(HK\$)</i>
Authorised share capital	
[REDACTED] Shares	[REDACTED]
Shares issued or to be issued, fully paid or credited as fully paid:	
10,000 Shares in issue as at the date of this document	100.0
[REDACTED] Shares to be issued pursuant to the Capitalisation Issue:	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
Total:	
[REDACTED] Shares	<u>[REDACTED]</u>

ASSUMPTIONS

The above table assumes that the [REDACTED] become unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the [REDACTED] and the Capitalisation Issue. The above table does not take into account the exercise of the options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the [REDACTED] and at all times thereafter, at least 25.0% of the total number of issued shares capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares. The [REDACTED] and the shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme will carry the same rights as all Shares in issue or to be issued and, in particular, will qualify for all dividends or other distributions declared, made or paid after the date of this document (save for entitlements to the Capitalisation Issue).

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of our Memorandum of Association and our Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital by special resolution of shareholders. Please see “Summary of the Constitution of our Company and the Cayman Islands Company Law — 2. Articles of Association — (iii) Alteration of capital” for further details.

Pursuant to the Cayman Companies Law and the terms of our Memorandum of Association and our Articles of Association, all or any of the special rights attached to our Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares in that class. Please see “Summary of the Constitution of our Company and the Cayman Islands Company Law — 2. Articles of Association — (iii) Variation of Rights of Existing Shares or Classes of Shares” for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, particulars of which are set out in “Statutory and General Information — A. Further Information About Our Group — 3. Written resolution of our Shareholders passed on [•]” in Appendix IV.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, particulars of which are set out in “Statutory and General Information — A. Further Information About Our Group — 3. Written resolution of our Shareholders passed on [•]” and “Statutory and General Information — A. Further Information About Our Group — 6. Repurchase of Shares” in Appendix IV.

SHARE OPTION SCHEME

The Company has conditionally approved and adopted the Share Option Scheme, particulars of which are set out in “Statutory and General Information — D. Share Option Scheme” in Appendix IV.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors or chief executive of our Company are aware, as at the date of this document and immediately following the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Share which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), the following persons (other than a Director or chief executive of our Company) will have interests or a short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting Shares of any members of our Group:

Name of shareholder	Capacity/ nature of interest	As at the date of this document		Immediately following completion of the [REDACTED] and the Capitalisation Issue	
		Number of Shares held	Approximate percentage of shareholding in our Company	Number of Shares held	Approximate percentage of shareholding in our Company
MHX Investment BVI	Beneficial owner ⁽²⁾	6,382	63.82%	[REDACTED] (L)	[REDACTED]%
Ms. Song Dongling (宋冬玲) (“Mrs. Xun”)	Interest of spouse ⁽²⁾	6,805	68.05%	[REDACTED] (L)	[REDACTED]%
CV Construction BVI	Beneficial owner ⁽³⁾	2,196	21.96%	[REDACTED] (L)	[REDACTED]%
Conch Venture Development	Interest in a controlled corporation ⁽³⁾	2,196	21.96%	[REDACTED] (L)	[REDACTED]%
Yijiang International Limited	Interest in a controlled corporation ⁽³⁾	2,196	21.96%	[REDACTED] (L)	[REDACTED]%
[REDACTED]	Interest in a controlled corporation ⁽³⁾	2,196	21.96%	[REDACTED] (L)	[REDACTED]%
Furi Investment BVI	Beneficial owner ⁽⁴⁾	999	9.99%	[REDACTED] (L)	[REDACTED]%

Notes:

- The letter “L” denotes the entity/person’s long position (as defined under Part XV of the SFO) in such Shares.
- Our Company will be directly owned as to [REDACTED]% by MHX Investment BVI and [REDACTED]% by JingH Investment BVI immediately after the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). MHX Investment BVI is beneficially wholly-owned by Mr. Xun MH, JingH Investment BVI is owned as to [36.99]% by Mr. Xun MH. Mr. Xun MH is deemed to be interested in the same number of Shares that are held by MHX Investment BVI and JingH Investment BVI under the SFO. Mrs. Xun is the spouse of Mr. Xun MH and is therefore deemed to be interested in the same number of Shares in which Mr. Xun MH is interested under the SFO.

SUBSTANTIAL SHAREHOLDERS

3. Our Company will be directly owned as to [REDACTED]% by CV Construction BVI immediately after the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). CV Construction BVI is beneficially wholly-owned by Conch Venture Development. Conch Venture Development is beneficially wholly-owned by Yijiang International Limited, which in turn is beneficiary wholly-owned as to 100% by the [REDACTED]. Each of Conch Venture Development, Yijiang International Limited and the [REDACTED] is deemed to be interested in the same number of Shares that are held by CV Construction BVI under the SFO.
4. Our Company will be directly owned as to [REDACTED]% by Furi Investment BVI immediately after the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

Save as disclosed above, our Directors are not aware of any person (other than a Director or chief executive of our Company) who as at the Latest Practicable Date and will, immediately following the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), have interests or short positions in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10% or more of the issued voting Shares of any members of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountants’ Report in Appendix I to this document. Our Company’s audited consolidated financial statements have been prepared in accordance with the HKFRSs. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Company in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Company believes are appropriate under the relevant circumstances. However, whether actual outcomes and developments will meet our Company’s expectations and projections will depend on a number of risks and uncertainties over which our Company does not have control. For further information, you should refer to the section “Risk factors” in this document.

OVERVIEW

We are a construction services provider based in Fujian Province. We provide (i) construction services; (ii) leasing of construction machinery, equipment and tools; (iii) sewage treatment services (after completion of the “building” portion of a “build, operate and transfer” (“**BOT**”) arrangement for the sewage treatment infrastructure concerned); and (iv) sales of construction materials and equipment and others. We mainly act as a subcontractor on construction works projects.

Among our construction services, we provide: (a) foundation works (including bored piles, H-piles, Larssen sheet piles, diaphragm walls and Tunneling works); (b) formwork and scaffolding works (including formwork and falsework design, manufacturing of scaffold and erection services); (c) construction of sewage treatment infrastructure; and (d) other construction works (mainly E&M engineering works). We have an extensive fleet of machinery and equipment, which enables us to handle complicated and/or sizeable construction works. We also engage in construction machinery, equipment and tools leasing business. We also operate sewage treatment plant and engage in the sales of construction materials and equipment and others.

For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, (i) our total revenue amounted to approximately RMB156.8 million, RMB498.9 million, RMB1,192.8 million and RMB611.9 million, respectively; (ii) our gross profit amounted to approximately RMB38.1 million, RMB129.9 million, RMB285.5million and RMB139.0 million, respectively, representing gross profit margins of approximately 24.3%, 26.0%, 23.9% and 22.7%, respectively; and (iii) our profit and total comprehensive income for the year/period was approximately RMB16.9 million, RMB67.5 million, RMB140.5 million and RMB67.6 million, respectively.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 5 February 2019 as an exempted company with limited liability under the Cayman Companies Law.

Prior to the incorporation of our Company, the principal activities were carried out by Jianzhong Construction Technology and its subsidiaries. In preparation for the [REDACTED], the companies comprising our Group underwent the Reorganisation. Upon completion of the Reorganisation, our Company became the holding company of the subsidiaries now comprising the Group.

As Jianzhong Construction Technology was controlled by Mr. Xun MH, our Controlling Shareholder, before and after the Reorganisation, there were no changes in the economic substance of the ownership and the business of our Group. The historical financial information has been prepared and presented as a continuation of the consolidated financial statements of Jianzhong Construction Technology with its assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the historical financial information.

The historical financial information has been prepared in accordance with all applicable HKFRSs which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Further details of the significant accounting policies adopted are set out in note 2 in the Appendix I to this document.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing and presenting the historical financial information for the Track Record Period, our Company has consistently applied all applicable new and revised HKFRSs, which are effective for the accounting period beginning on 1 January 2019. The Company has also applied HKFRS 16 “Leases” throughout the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2019 which have not been early applied are further set out in note 30 of the Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our Group’s financial conditions and results of operations have been and will continue to be affected by a number of factors, including those discussed below and in “Risk Factors”.

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Market conditions and trends in the construction industry and overall economy

All our operations and management are currently located in the PRC. The PRC construction industry is to a large extent affected by the conditions of the PRC economy. General economic conditions in the PRC have affected and may continue to affect our business and results of operations. Our revenue directly correlates with the level of construction activities in the PRC. The future growth and level of profitability of the construction industry in the PRC is likely to depend primarily upon the continued availability of major construction works projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the PRC Government's spending patterns on the construction and infrastructure industry in the PRC, the investment by property developers and the general conditions and prospects of the PRC economy. These factors may affect the supply/number of construction works projects offered by the public sector, private sector or institutional bodies. Apart from the public spending of the PRC Government, there are numerous factors affecting the construction industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Changes in national or local policies related to the PRC construction industry may affect the level of activities in the industry, as well as the supply of land for property development, project financing, foreign investment and taxation. An occurrence of recession in the PRC, deflation or any changes in the PRC's currency policy, or the demand for construction works in the PRC deteriorate, our operations and profits could be adversely affected.

Non-recurrent nature of the projects

Our Group is principally engaged in the provision of construction works service. During the Track Record Period, our revenue attributable to construction services represented approximately 48.0%, 85.1%, 91.2% and 92.7% of our total revenue for each of the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively. Our construction services are offered on a project-by-project basis with no long term commitment with any of our customers in this segment.

As at the Latest Practicable Date, we had a total of 177 projects on hand (including projects in progress and projects which were awarded to us but have yet to commence), and upon the completion of these ongoing construction works projects, our customers are not obliged to engage us again in subsequent construction works projects. Furthermore, for the construction works project which we will potentially engage in, we are required to undergo the entire tender selection process in order to be awarded with a new project. As such, the revenue attributable to our construction works service is not recurring in nature.

Further to the above, we cannot guarantee that our existing customers will award new construction works projects to us, nor is there a guarantee that we will be able to maintain our business relationship works with our current customers, or that the customers will require of our construction works service again after completion of the projects. In the event that we are unable to attract new customers or secure new construction works projects from our current customers, our Group's revenue or profit may decrease significantly and adversely affect our business, financial condition or results of operations.

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Accuracy in the estimation of project time and costs at the project identification stage

Our construction works projects are typically awarded via a competitive tender process by our customers. In determining the tender price, we conduct feasibility studies and estimate the construction time and costs based on the information specified in tender invitation documents, as well as the mark-up margin under our cost and time estimates. However, the actual time and costs incurred in our construction works projects may be adversely affected by a series of factors, some of which may be beyond our control, which includes but are not limited to the following: (i) unanticipated geological conditions in bedrock of the construction sites; (ii) unfavourable weather conditions during the construction works projects; (iii) retention rate of workers specialised in construction works; (iv) unforeseen disputes with our customers, suppliers, subcontractors and other relevant parties; (v) receipt of variation orders from our customers, with substantial subsequent additional contract amount; and (vi) discovery of cultural relics at construction site. In the event that there is a significant deviation from the scheduled works to be done for our projects due to any of the above factors or otherwise, there may be a substantial delay or increase in costs in connection with our construction works projects. There is no guarantee that the actual time and costs incurred will be consistent with our initial estimates, which in turn potentially reduces our profitability or even exposes us to litigation or claims from our customers in case of delays. Furthermore, if our mark-up margin is set to factor into the above factors, our tender price may become not competitive as compared to our competitors.

As such, there is no assurance that we will always be able to accurately estimate our construction time and costs, or determine a precise mark-up margin so that we are able to price our tender price competitively. In the event that we fail to do so, our customers may opt for tender prices offered by our competitors, resulting in a decrease in the number of construction works projects to be awarded to us. This in turn adversely affects our operation and financial results. On the flip side, if the mark-up margin is set too low, we may not be able to cover the additional costs contributory to the above-mentioned factors during construction works projects. In that case, our profitability in construction works service will be materially and adversely affected.

Fluctuation in cost of materials

We rely on our suppliers for reliable and timely delivery of pipe piles, concrete, cement, steel and other construction materials. For each of the three years ended 31 December 2018 and the five months ended 31 May 2019, our cost of materials amounted to approximately RMB30.2 million, RMB114.2 million, RMB457.1 million and RMB184.6 million, respectively, representing 25.4%, 31.0%, 50.4% and 39.0% of our total cost of sales, respectively.

Since the contract value of each of the projects are generally pre-determined when a project is awarded to us, any substantial increase in the prices of materials between the time of submission of our tender or quotation and the time when we purchase the relevant materials will substantially increase our material cost and may materially and adversely affect our profitability, results of operations and financial condition. Since we do not enter into long-term supply contracts with our suppliers, there is no assurance that our suppliers will not significantly increase the prices of materials in the future, in particular when the market prices of or the market demand for such materials increases. There is also no assurance that we will be able to pass part of or all of the increase in the cost of materials to our customers to avoid adverse impacts on our profit margins.

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In addition, we cannot assure you that we will be able to continue to secure adequate supplies of materials to meet all of our business needs at commercially reasonable prices in the future. If we are unable to secure adequate materials at commercially reasonable prices, we may miss project schedules or completion deadlines, which may harm our reputation in the industry or subject us to pay monetary compensation or damages to our customers. We may be forced to procure materials from more expensive alternative sources or incur other additional costs to meet our contractual obligations, which may materially and adversely affect our results of operations and financial condition.

Availability and performance of labour subcontractors

The efficiency in carrying out construction works depends on whether we have a reliable supply of labour. We require a large number of construction workers with different expertise and skill sets. In the event that the labour market conditions result in shortage of labour or material increase in labour costs, we may need to offer more competitive salaries and more lucrative remuneration packages or benefits so as to attract and maintain a reliable supply of labour. We will not be able to guarantee that we possess sufficient resources to mitigate the above-mentioned labour issues by retaining or recruiting skilled workers to handle our construction works.

In order to minimise the need to employ a large workforce, to maximise our cost-efficiency and flexibility, and to utilise the expertise of other properly qualified specialist contractors, we sometimes engage labour subcontractors to perform a portion of the work under our construction works projects. We may not be able to monitor the performance of these labour subcontractors as directly and efficiently as with our self employed labour. In addition, our inability to hire enough labour subcontractors could hinder our ability to complete a project successfully. Further, we are exposed to risks associated with non-performance, delayed performance or sub-standard performance by labour subcontractors. As a result, we may experience deterioration in the quality or delivery of our construction works projects, incur additional costs due to the delays or at a higher price in sourcing the labouring services, or be subject to liability under the relevant contract for our labour subcontractors’ performance. Such events could impact upon our profitability, financial performance and reputation, and result in litigation or damage claims.

CRITICAL ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATES

The discussion and analysis of our Group’s financial position and results of operations as included in this document is based on the consolidated financial statements prepared using the significant accounting policies set out in note 2 of the Accountants’ Report in Appendix I to this document, which conform with HKFRSs.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of judgement and estimation uncertainty

Our Group continually evaluates estimates and judgements which are based on historical experience and other factors, including expectations of future events that we believe to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the historical financial information. The significant accounting policies are set forth in note 2 of the Accountants' Report in Appendix I to this document. Our Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the historical financial information.

Revenue recognition for construction contracts

Revenue from construction contracts are recognised over time. Revenue from uncompleted projects is dependent on estimating the outcome of the contract. Our Group recognises revenue based on progress certificates issued by our customers. The certificate reflects the progress towards complete satisfaction of the performance obligation, which is measured based on direct measurements of the value of work performed. Customers will provide final account when the whole project is completed and may include adjustments on the amount recognised to date according to the actual surveys of work performed at completion. Significant judgement is required in estimating the contract revenue and variation work which may have an impact on revenue recognised to date. In addition, actual outcomes in terms of total revenue may be higher or lower at the end of the reporting period, which would affect the revenue in future periods as an adjustment to the amounts recorded to date.

Impairment of property, plant and equipment

The management determines the impairment loss if circumstances indicate that the carrying value of an item of property, plant and equipment may not be recoverable. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment when events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

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The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of estimated revenue and operating costs. Our Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and costs.

Impairment of trade receivables, contract assets and receivables under service concession arrangement

The impairment assessment of trade receivables, contract assets and receivables under service concession arrangement of our Group is based on the evaluation of collectability and ageing analysis of trade receivables and contract assets as well as other quantitative and qualitative information and calculated the lifetime expected credit losses (“ECLs”) based on credit loss experience, and on management’s judgement and assessment of the forward-looking information. Significant judgement and estimates are required in assessing the ultimate realisation of these receivables, based on the current creditworthiness, the past collection history and subsequent settlements of each customer. If the financial conditions of our customers deteriorate, resulting in an impairment on their ability to make payments, additional impairment may be required.

RESULTS OF OPERATIONS

The table below sets out our Group’s consolidated statements of profit or loss and other comprehensive income for each of the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019. This information is derived from and should be read in conjunction with the Accountants’ Report set forth in Appendix I to this document.

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	156,754	498,857	1,192,750	404,968	611,877
Cost of sales	(118,618)	(368,999)	(907,228)	(306,692)	(472,862)
Gross profit	38,136	129,858	285,522	98,276	139,015
Other net income	336	812	1,762	101	2,256
Administrative expenses	(12,441)	(25,655)	(80,820)	(33,140)	(36,258)
Other operating expenses	(2,455)	(10,016)	(20,362)	(9,125)	(7,025)
Profit from operations	23,576	94,999	186,102	56,112	97,988
Finance costs	(900)	(5,439)	(9,121)	(3,149)	(5,856)
Profit before taxation	22,676	89,560	176,981	52,963	92,132
Income tax	(5,764)	(22,011)	(36,487)	(13,942)	(24,522)
Profit and total income for the year/period	<u>16,912</u>	<u>67,549</u>	<u>140,494</u>	<u>39,021</u>	<u>67,610</u>

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PRINCIPAL COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our Group generated revenue from: (i) construction services; (ii) leasing of construction machinery, equipment and tools business; (iii) sewage treatment operation; and (iv) sales of construction materials and equipment and others.

During the Track Record Period, all of our revenue was derived from projects located in the PRC.

The following sets forth a breakdown of our revenue by segment during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Construction services	75,241	48.0	424,363	85.1	1,087,896	91.2	365,119	90.2	567,174	92.7
Leasing of construction machinery, equipment and tools business	81,393	51.9	72,409	14.5	91,414	7.7	34,287	8.5	38,875	6.4
Sewage treatment operation	–	–	–	–	2,373	0.2	–	–	2,119	0.3
Others	120	0.1	2,085	0.4	11,067	0.9	5,562	1.3	3,709	0.6
	<u>156,754</u>	<u>100</u>	<u>498,857</u>	<u>100</u>	<u>1,192,750</u>	<u>100</u>	<u>404,968</u>	<u>100</u>	<u>611,877</u>	<u>100</u>

Construction services

Our revenue generated from construction services amounted to approximately RMB75.2 million, RMB424.4 million, RMB1,087.9 million, RMB365.1 million (unaudited) and RMB567.2 million for each of the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, representing approximately 48.0%, 85.1%, 91.2%, 90.2% (unaudited) and 92.7% of our total revenue, respectively.

Set out below is the breakdown of our revenue from the provision of construction services by work type during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
By work type										
Foundation works	40,088	53.3	333,272	78.5	874,308	80.4	294,515	80.7	313,919	55.4
Formwork and scaffolding works	35,153	46.7	91,091	21.5	139,990	12.9	31,008	8.5	219,035	38.6
Construction of sewage treatment infrastructure	–	–	–	–	42,254	3.9	31,918	8.7	–	–
Other construction works	–	–	–	–	31,344	2.8	7,678	2.1	34,220	6.0
	<u>75,241</u>	<u>100</u>	<u>424,363</u>	<u>100</u>	<u>1,087,896</u>	<u>100</u>	<u>365,119</u>	<u>100</u>	<u>567,174</u>	<u>100</u>

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For the year ended 31 December 2017, revenue generated from the provision of construction services increased by approximately RMB349.1 million or 464.0% from approximately RMB75.2 million for the year ended 31 December 2016 to approximately RMB424.4 million for the year ended 31 December 2017. For the year ended 31 December 2018, such revenue further increased by approximately RMB663.5 million or 156.4% to approximately RMB1,087.9 million. The above increases were mainly due to the significant growth in revenue from the provision of foundation works during each of the three years ended 31 December 2018, which grew by approximately RMB293.2 million for the year ended 31 December 2017 (accounting for approximately 84.0% of revenue growth) and further increased by approximately RMB541.0 million for the year ended 31 December 2018 (accounting for approximately 81.5% of revenue growth).

For the five months ended 31 May 2019, revenue generated from the provision of construction services increased by approximately RMB202.1 million or 55.3% to approximately RMB567.2 million from approximately RMB365.1 million (unaudited) for the five months ended 31 May 2018. The increase was mainly due to the significant growth in revenue from the provision of formwork and scaffolding works, which grew by approximately RMB188.0 million for the five months ended 31 May 2019 (accounting for approximately 93.1% of revenue growth).

Our growth and focus on the foundation works sub-segment commenced when we first obtained the third class professional contractor in foundation engineering works qualification in August 2016, which led to us generating approximately RMB40.1 million in revenue from six foundation works projects for the year ended 31 December 2016. For the year ended 31 December 2017, our revenue from foundation works increased by approximately RMB293.2 million or 731.4% to approximately RMB333.3 million, generated from 62 projects, of which 56 were new projects. For the year ended 31 December 2018, we were engaged in a total of 131 foundation works projects, 93 of which were new projects which increased our revenue by approximately RMB541.0 million or 162.3% to approximately RMB874.3 million for the year.

As a result of the success we found in providing foundation works under our original third class qualification, in August 2017, our contractor qualification in foundation engineering works was upgraded to the second class and then in June 2018 to the first class. Such upgrades have enabled us to engage in more extensive and higher contract sum foundation works projects.

Our revenue from the formwork and scaffolding works sub-segment also increased during the Track Record Period, in particular, for the five months ended 31 May 2019 as compared to the five months ended 31 May 2018. Our formwork and scaffolding works business commenced at the same time as our foundation works business when we obtained the professional contractor for template and scaffold works qualification in August 2016.

For the year ended 31 December 2016, we were engaged in two formwork and scaffolding works projects which generated revenue of approximately RMB35.2 million. For the year ended 31 December 2017, the revenue from this sub-segment increased by approximately RMB55.9 million or 159.1% to approximately RMB91.1 million generated from eight formwork and scaffolding works projects. For the year ended 31 December 2018, we were engaged in 30 formwork and scaffolding works projects which contributed approximately RMB140.0 million of our Group's revenue, representing an increase of approximately RMB48.9 million or 53.7% compared to the year ended 31 December 2017.

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For the five months ended 31 May 2018, we were engaged in 20 formwork and scaffolding works projects which contributed revenue of approximately RMB31.0 million (unaudited). For the five months ended 31 May 2019, revenue from this sub-segment increased by approximately RMB188.0 million or 606.4% to approximately RMB219.0 million as a result of our engagement in 34 formwork and scaffolding works projects.

In 2018, we generated revenue from two new sub-segments being, construction of sewage treatment infrastructure and other construction works. Revenue from the construction of sewage treatment infrastructure was derived from a one-off construction project awarded in January 2018 through competitive tender. The project was in the form of BOT arrangement whereby the “building” part of the project contributed the revenue for the sub-segment in 2018. For details of the construction of sewage treatment infrastructure, please refer to “Business — Our services — 1(c). Construction of sewage treatment infrastructure”. Revenue from other construction services represents other construction works, mainly E&M engineering works, which is ancillary to our sub-contractor services.

Together, the two sub-segments contributed approximately RMB73.6 million, RMB39.6 million and RMB34.2 million in revenue, representing approximately 6.7%, 10.8% and 6.0% of our revenue for the year ended 31 December 2018 and the five months ended 31 May 2018 and 2019, respectively.

Set out below is the detailed list of the top ten revenue contribution construction works projects during the Track Record Period:

Top ten revenue contribution ¹ construction works projects

Project code	Sub-category of construction services segment	Year ended 31 December						Five months ended 31 May			
		2016		2017		2018		2018		2019	
		RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
1	BM000001 Foundation works	21,228 ²	28.2%	13,626 ²	3.2%	–	0.0%	–	–	–	–
2	BM000012 Foundation works	15,016 ²	20.0%	15,282 ²	3.6%	371	0.0%	156	0.0%	26	0.0%
3	BM000007 Foundation works	2,686 ²	3.6%	8,292	2.0%	2,184	0.2%	1,337	0.4%	89	0.0%
4	BM000013 Foundation works	680 ²	0.9%	16,104 ²	3.8%	–	0.0%	–	–	–	–
5	BM000829 Foundation works	–	–	36,039 ²	8.5%	115,452 ²	10.6%	64,161 ²	17.6%	6,391	1.1%
6	BM000037 Foundation works	–	–	32,621 ²	7.7%	3,201	0.3%	3,201	0.9%	–	–
7	BM000020 Foundation works	–	–	30,674 ²	7.2%	–	0.0%	–	–	157	0.0%
8	BM000023 Foundation works	–	–	15,225 ²	3.6%	2,120	0.2%	1,376	0.4%	2,096	0.4%
9	BM000031 Foundation works	–	–	12,432 ²	2.9%	–	0.0%	–	–	–	–
10	BM000077 Foundation works	–	–	–	0.0%	53,346 ²	4.9%	20,660 ²	5.7%	895	0.2%
11	BM000125 Foundation works	–	–	–	0.0%	45,867 ²	4.2%	1,425	0.4%	6,862	1.2%
12	BM000121 Foundation works	–	–	–	0.0%	44,924 ²	4.1%	232	0.1%	327	0.1%
13	BM000014 Foundation works	–	–	–	0.0%	40,000 ²	3.7%	15,600 ²	4.3%	90	0.0%
14	BM000115 Foundation works	–	–	–	0.0%	34,614 ²	3.2%	25	0.0%	577	0.1%
15	BM000004 Foundation works	–	–	–	0.0%	34,054 ²	3.1%	2,772	0.8%	10,299	1.8%
16	BM000101 Foundation works	–	–	–	0.0%	33,229 ²	3.1%	11,964 ²	3.3%	2,919	0.5%
17	BM000842 Foundation works	–	–	–	0.0%	22,939 ²	2.1%	–	–	79	0.0%
18	BM000091 Foundation works	–	–	–	0.0%	18,546	1.7%	16,419 ²	4.5%	2,781	0.5%
19	BM000096 Foundation works	–	–	–	0.0%	13,952	1.3%	13,738 ²	3.8%	–	–

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Project code	Sub-category of construction services segment	Year ended 31 December						Five months ended 31 May				
		2016		2017		2018		2018		2019		
		RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	
20	BM000064	Foundation works	-	-	4,811	1.1%	12,308	1.1%	10,865 ²	3.0%	347	0.1%
21	BM000017	Foundation works	-	-	10,079	2.4%	11,833	1.1%	10,166 ²	2.8%	188	0.0%
22	BM000105	Foundation works	-	-	-	0.0%	14,104	1.3%	10,033 ²	2.7%	159	0.0%
23	BM000892	Foundation works	-	-	-	0.0%	19,057	1.8%	-	-	16,792 ²	3.0%
24	BM001263	Foundation works	-	-	-	0.0%	2,325	0.2%	-	-	24,322 ²	4.3%
25	BM001230	Foundation works	-	-	-	0.0%	93	0.0%	-	-	26,612 ²	4.7%
26	BM001265	Foundation works	-	-	-	0.0%	-	0.0%	-	-	17,740 ²	3.1%
27	BM000002	Formwork & scaffolding works	24,330 ²	32.3%	57,080 ²	13.5%	3,098	0.3%	774	0.2%	-	-
28	BM000019	Formwork & scaffolding works	10,823 ²	14.4%	15,944 ²	3.8%	463	0.0%	-	-	-	-
29	BM000054	Formwork & scaffolding works	-	-	6,235	1.5%	9,077	0.8%	2,444	0.7%	17,987 ²	3.2%
30	BM000068	Formwork & scaffolding works	-	-	4,388	1.0%	8,711	0.8%	3,404	0.9%	23,242 ²	4.1%
31	BM000063	Formwork & scaffolding works	-	-	94	0.0%	9,891	0.9%	2,531	0.7%	18,320 ²	3.2%
32	BM000072	Formwork & scaffolding works	-	-	-	0.0%	13,128	1.2%	1,655	0.5%	30,382 ²	5.4%
33	BM000890	Formwork & scaffolding works	-	-	-	0.0%	3,175	0.3%	-	-	21,037 ²	3.7%
34	BM000893	Formwork & scaffolding works	-	-	-	0.0%	2,880	0.3%	-	-	17,118 ²	3.0%
35	BM000089	Construction of sewage treatment infrastructure	-	-	-	0.0%	42,254 ²	3.9%	31,918 ²	8.7%	-	-
Revenue contribution from the above construction works projects			74,763 ²	99.4%	278,926	65.7%	617,196	56.7%	226,856	62.1%	247,834	43.7%
Other construction works projects			478 ²	0.6%	145,437	34.3%	470,700	43.3%	138,263	37.9%	319,340	56.3%
			<u>75,241</u>	<u>100%</u>	<u>424,363</u>	<u>100%</u>	<u>1,087,896</u>	<u>100%</u>	<u>365,119</u>	<u>100%</u>	<u>567,174</u>	<u>100%</u>

Notes:

- For the year ended 31 December 2016, a total of eight construction works projects contributed to all the revenue from construction services. As the above top-six revenue contribution construction works projects accounted for approximately 99.4% of the total revenue from the construction services, we consider it to be not meaningful to disclose the remaining two.
- Represented the respective amounts of revenue contributed from the relevant top six/top ten revenue contribution construction works projects of the respective year/period.

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Construction services by PRC geographical area

Set out below is the breakdown of revenue from construction services based on the geographical area in the PRC of the project during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Geographical area										
Fujian	18,860	25.1	274,627	64.7	873,924	80.3	312,136	85.5	447,100	78.8
Gansu	45,558	60.5	70,706	16.7	52,426	4.8	7,481	2.0	30,944	5.5
Shanghai	10,823	14.4	68,897	16.2	20,786	1.9	13,855	3.8	13,702	2.4
Jiangsu	–	–	10,079	2.4	69,581	6.4	27,903	7.6	23,963	4.2
Zhejiang	–	–	–	–	51,454	4.7	2,132	0.6	13,335	2.4
Others	–	–	54	0.0	19,725	1.9	1,612	0.5	38,130	6.7
	<u>75,241</u>	<u>100</u>	<u>424,363</u>	<u>100</u>	<u>1,087,896</u>	<u>100</u>	<u>365,119</u>	<u>100</u>	<u>567,174</u>	<u>100</u>

Most of our construction services projects in 2016 were located in Gansu Province, which were from Customer A and Customer B (being two of our five largest customers in 2016); whereas in the following two years and the five months ended 31 May 2019, projects located in Fujian Province accounted for most of our revenue from construction services. As we are head quartered in Fuzhou, a city in Fujian province, and have maintained a market presence in the area for a number of years, our Directors believe that we are strategically positioned to capture the market opportunities in Fujian Province.

Leasing of construction machinery, equipment and tools business

Revenue from our construction machinery, equipment and tools leasing business decreased by approximately 11.0% from approximately RMB81.4 million for the year ended 31 December 2016 to approximately RMB72.4 million for the year ended 31 December 2017 and then increased by approximately 26.2% to approximately RMB91.4 million for the year ended 31 December 2018. For the five months ended 31 May 2019, revenue for this segment increased by approximately 13.4% from approximately RMB34.3 million (unaudited) for the five months ended 31 May 2018 to approximately RMB38.9 million.

Revenue from this segment was relatively stable with a mild decrease in 2017. This was mainly due to the fact that in 2017, less of our Group’s construction machinery, equipment and tools were available to be rented out as they were mainly used in our Group’s construction works projects, at which time our construction services business started to expand substantially.

Sewage treatment operation

Revenue from our sewage treatment service was derived from the “operation” portion of the BOT sewage treatment project after we completed “building” the sewage treatment infrastructure in June 2018. Sewage treatment revenue was basically earned based on a unit price and the minimum daily sewage treatment volume of 40,000 tonnes. We charge only one customer, which is a local authority, for the sewage treatment fee.

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Sales of construction materials, equipment and others

Complementary to our construction business, we also sell construction materials and equipment for which we generated less than 1% of our total revenue during the Track Record Period.

Cost of sales

Set out below is the breakdown of the key items of costs of sales by expense nature during the Track Record Period:

	Year ended 31 December						Five months ended 31 May					
	2016		2017		2018		2018		2019			
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%		
	<i>(unaudited)</i>											
Material cost	30,174	25.4	114,208	31.0	457,135	50.4	145,946	47.6	184,592	39.0		
Labour subcontracting fee	18,272	15.4	86,133	23.3	172,767	19.0	47,248	15.4	187,400	39.6		
Depreciation	29,443	24.8	62,725	17.0	87,490	9.6	34,522	11.3	38,777	8.2		
Others	40,729	34.4	105,933	28.7	189,836	21.0	78,976	25.7	62,093	13.2		
	<u>118,618</u>	<u>100</u>	<u>368,999</u>	<u>100</u>	<u>907,228</u>	<u>100</u>	<u>306,692</u>	<u>100</u>	<u>472,862</u>	<u>100</u>		

Material cost

Material cost represents materials used primarily in our construction services business. The materials used mainly represent pipe piles, concrete, cement and steel. Within the segment of construction services, the foundation works sub-segment requires more materials input.

For the year ended 31 December 2016, material cost accounted for approximately 25.4% of our total cost of sales. The percentage increased to approximately 31.0% for the year ended 31 December 2017 and then further to 50.4% for the year ended 31 December 2018.

As the revenue generated from our foundation works business accounted for an increasing proportion of our Group’s total revenue for each of the three years ended 31 December 2018, so too did the material cost to total cost of sales percentage for each of the three years ended 31 December 2018.

For the five months ended 31 May 2019, material cost accounted for approximately 39.0% of our total cost of sales which was lower than that of approximately 47.6% for the five months ended 31 May 2018. This was mainly due to the decrease in proportion of the revenue from the foundation works sub-segment of approximately 55.4% for the five months ended 31 May 2019 from approximately 80.7% for the five months ended 31 May 2018.

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For illustration only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group’s material cost in the projects during the Track Record Period:

Hypothetical fluctuations in material cost	-15%	-10%	-5%	+5%	+10%	+15%
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in profit before tax for:						
the year ended 31 December 2016 . . .	4,526	3,017	1,509	(1,509)	(3,017)	(4,526)
the year ended 31 December 2017 . . .	17,131	11,421	5,710	(5,710)	(11,421)	(17,131)
the year ended 31 December 2018 . . .	68,570	45,714	22,857	(22,857)	(45,714)	(68,570)
the five months ended 31 May 2019 . .	27,689	18,459	9,230	(9,230)	(18,459)	(27,689)

Labour subcontracting fee

To maximise our cost-efficiency and flexibility, we engage labour subcontractors to mainly perform certain labour intensive construction processes, for which we incur labour subcontracting fees.

For the year ended 31 December 2016, labour subcontracting fees accounted for approximately 15.4% of our total cost of sales which was relatively comparable to that of approximately 19.0% for the year ended 31 December 2018. However, the percentage was much higher at approximately 23.3% for the year ended 31 December 2017.

Within the construction segment, formwork and scaffolding works are more labour intensive whereas earthworks within the foundation works sub-segment are less labour intensive. For the year ended 31 December 2017, there was a higher labour subcontracting fee as a percentage of our total cost of sales. This was because (i) there was higher value of revenue from formwork and scaffolding works in 2017; and (ii) higher proportion of revenue from earthworks in 2016.

For the five months ended 31 May 2019, labour subcontracting fees accounted for approximately 39.6% of our total cost of sales which was much higher than that of approximately 15.4% for the five months ended 31 May 2018. This was a result of a higher proportion of revenue earned from the formwork and scaffolding works sub-segment for the five months ended 31 May 2019 than that for the five months ended 31 May 2018.

For illustration only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group’s labour subcontracting fee in the projects during the Track Record Period:

Hypothetical fluctuations in labour subcontracting fee	-15%	-10%	-5%	+5%	+10%	+15%
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in profit before tax for:						
the year ended 31 December 2016 . . .	2,741	1,827	914	(914)	(1,827)	(2,741)
the year ended 31 December 2017 . . .	12,920	8,613	4,307	(4,307)	(8,613)	(12,920)
the year ended 31 December 2018 . . .	25,915	17,277	8,638	(8,638)	(17,277)	(25,915)
the five months ended 31 May 2019 . .	28,110	18,740	9,370	(9,370)	(18,740)	(28,110)

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Depreciation

Depreciation represented depreciation charge for fixed assets, being mainly our construction machinery, equipment and tools, allocated to the projects to earn the revenue.

Our depreciation to the total cost of sales percentage showed a decreasing trend over the Track Record Period. For each of the three years ended 31 December 2018, our Group’s revenue mix generally became more focused on foundation works whereas, for the five months ended 31 May 2019, we were more focused on formwork and scaffolding works. The sub-segments generally utilise/incur more materials and labour subcontracting fees which accounted for higher percentage of the total cost of sales whereas, less depreciation percentage to the total cost of sales.

Gross profit and gross profit margin

Set out below is the breakdown of the gross profit and gross profit margins of our Group by business segment and work type during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2016		2017		2018		2018		2019	
	<i>RMB'000</i>	<i>GP%</i>	<i>RMB'000</i>	<i>GP%</i>	<i>RMB'000</i>	<i>GP%</i>	<i>RMB'000</i>	<i>GP%</i>	<i>RMB'000</i>	<i>GP%</i>
	<i>(unaudited)</i>									
Foundation works	8,112	20.2	98,834	29.7	210,806	24.1	70,071	23.8	71,039	22.6
Formwork and scaffolding works	2,459	7.0	8,040	8.8	22,112	15.8	5,926	19.1	40,458	18.5
Construction of sewage treatment infrastructure	–	–	–	–	9,540	22.6	6,436	20.2	–	–
Other construction works	–	–	–	–	9,884	31.5	2,942	38.3	12,475	36.5
Construction services	10,571	14.0	106,874	25.2	252,342	23.2	85,375	23.4	123,972	21.9
Leasing of construction machinery, equipment and tools business	27,561	33.9	22,374	30.9	29,621	32.4	9,856	28.7	13,357	34.4
Sewage treatment operation	–	–	–	–	612	25.8	–	–	562	26.5
Others	4	3.3	610	29.3	2,947	26.6	3,045	54.7	1,124	30.3
	<u>38,136</u>	<u>24.3</u>	<u>129,858</u>	<u>26.0</u>	<u>285,522</u>	<u>23.9</u>	<u>98,276</u>	<u>24.3</u>	<u>139,015</u>	<u>22.7</u>

During the Track Record Period, our Group’s overall gross profit margin was fairly stable. Whilst exhibiting some mild fluctuations, we recorded margins of approximately 24.3%, 26.0%, 23.9% and 22.7% for each of the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively. We had a relatively lower gross profit margin for the five months ended 31 May 2019 as the formwork and scaffolding works business, which has lower gross profit margins, accounted for a relatively higher proportion of our revenue for the period.

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Our leasing of construction machinery, equipment and tools business remained relatively stable at margins of approximately 33.9%, 30.9%, 32.4% and 34.4% during the Track Record Period, respectively.

In respect of our construction services segment, our gross profit margin was approximately 14.0% for the year ended 31 December 2016. It increased substantially to approximately 25.2% for the year ended 31 December 2017, and then decreased slightly to approximately 23.2% for the year ended 31 December 2018, and further decreased mildly to approximately 21.9% for the five months ended 31 May 2019.

As our foundation works contributed approximately 92.5% of our construction services segment's gross profit for the year ended 31 December 2017, the material increase in the gross profit margin of our construction services business for the same year was mainly due to the substantial increase in the gross profit margin of our foundation works sub-segment from approximately 20.2% for the year ended 31 December 2016 to approximately 29.7% for the year ended 31 December 2017. The slight decrease in the gross profit margin of our segment of the construction services from approximately 25.2% for the year ended 31 December 2017 to approximately 23.2% for the year ended 31 December 2018, was a result of a drop in the gross profit margin for foundation works from approximately 29.7% for the year ended 31 December 2017 to approximately 24.1% for the year ended 31 December 2018. Such drop was, however, off-set by contributions from new business lines for the year ended 31 December 2018, which offer higher gross profit margins of approximately: (i) 22.6% for our construction of sewage treatment infrastructure; and (ii) 31.5% for other construction works. The gross profit margin in respect of the construction of sewage treatment infrastructure was valued by an independent qualified valuer, based on prevailing market rate applicable to similar construction services rendered in similar location at the date of agreement.

For the five months ended 31 May 2019, the gross profit margin of our construction services business of approximately 21.9% was relatively comparable with that for the five months ended 31 May 2018 of approximately 23.4%.

The gross profit margin of the foundation works sub-segment has a significant influence in our Group's overall gross profit margin. For the year ended 31 December 2017, it increased from approximately 20.2% for the year ended 31 December 2016, being the first year of entering the market, to approximately 29.7%.

For the year ended 31 December 2018, the gross profit margin of the foundation works sub-segment decreased from approximately 29.7% for the year ended 31 December 2017 to approximately 24.1%. It was a combined effect of (i) the project mix which each foundation works projects normally has different gross profit margin due to its project type, distinctive nature and circumstance of each project; and (ii) the project progress which the gross profit margin is normally higher during the peak execution period but lower during the periods at the commencement of the project and the completion of the project.

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For the five months ended 31 May 2019, the gross profit margin of the foundation works sub-segment of approximately 22.6% was relatively comparable with that for the five months ended 31 May 2018 of approximately 23.8%.

Other net income

Our other net income mainly represented government grants and interest income and net off by losses on disposal of equipment.

Administrative expenses

Our administrative expenses mainly include (i) research and development costs; and (ii) salaries and other benefits. The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Research and development costs	3,657	8,354	46,579	20,438	17,937
Salaries and other benefits	3,904	8,457	16,012	5,653	7,016
Others	4,880	8,844	18,229	7,049	11,305
	<u>12,441</u>	<u>25,655</u>	<u>80,820</u>	<u>33,140</u>	<u>36,258</u>

Research and development (“R&D”) costs

The following sets forth a breakdown of our R&D costs during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Materials	66	1,661	29,188	13,552	10,110
Salaries and wages	1,870	4,350	7,285	2,700	2,240
Labour outsourcing fee	–	136	4,887	1,920	4,159
Depreciation	1,539	1,619	2,339	1,069	795
Others	182	588	2,880	1,197	633
	<u>3,657</u>	<u>8,354</u>	<u>46,579</u>	<u>20,438</u>	<u>17,937</u>

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We place strong focus on R&D as a means to drive improvement and to seek innovation in construction technologies and we believe, our efforts and emphasis on R&D have contributed to tender success, profitability and competitiveness. We devoted substantial resources to our R&D which is reflected in the sharp increase in our R&D costs during the three years ended 31 December 2018 and maintained at a relatively high level for the five months ended 31 May 2019.

We were determined to apply in research and develop into the technical aspects of the construction process in order to benefit our Group's overall business. During the Track Record Period, we incurred expenses in materials, manpower, machinery and equipment and other resources in our R&D projects.

For the year ended 31 December 2017, our R&D expenses increased by approximately RMB4.7 million or 128.4% from approximately RMB3.7 million for the year ended 31 December 2016 to approximately RMB8.4 million for the year ended 31 December 2017. Such increase was due to the increase in number of the R&D projects. We carried out a total of five new R&D projects for the year ended 31 December 2016 while 16 main new R&D projects for the year ended 31 December 2017. From the perspective of the expense nature, the increased R&D expenses for the year ended 31 December 2017 was mainly due to the increase in the salaries and wages for our R&D department as a result of the related expansion in manpower from a team of 41 staff as at 31 December 2016 to 65 as at 31 December 2017.

For the year ended 31 December 2018, our R&D expenses increased by approximately RMB38.2 million or 457.6% from approximately RMB8.4 million for the year ended 31 December 2017 to approximately RMB46.6 million for the year ended 31 December 2018. Same as the year 2017, such increase was due to the increase in number of new R&D projects to a total of 26 for the year ended 31 December 2018. The increase in R&D expenses for the year ended 31 December 2018 was mainly due to the increase in the materials we incurred for the R&D projects from approximately RMB1.7 million for the year ended 31 December 2017 to RMB29.2 million for the year ended 31 December 2018. Also, our salaries and wages for the R&D department also increased due to further expansion in manpower from a team of 65 staff as at 31 December 2017 to 73 as at 31 December 2018. We also engaged subcontractors to provide labour services in our R&D projects, incurring labour outsourcing fees of approximately RMB4.9 million during the year ended 31 December 2018.

For the five months ended 31 May 2019, our R&D expenses of approximately RMB17.9 million was quite comparable to that for the five months ended 31 May 2018 of approximately RMB20.4 million (unaudited) with slightly decrease by approximately RMB2.5 million or 12.2%.

To protect the intellectual property developed from our R&D activities, we register them as patents. We carried out 5, 16, 26 and 8 new R&D projects during the Track Record Period, respectively. From all the R&D projects incurring the R&D costs during Track Record Period, we had registered 29 patents (27 utility model; 2 design) as at the Latest Practicable Date. We also made applications for some patents deriving from the R&D projects which were still in process as at the Latest Practicable Date.

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Salaries and other benefits

Salaries and other benefits mainly represented the expenses of salaries, staff bonus and other benefits paid or payable by us for our employees’ benefits.

Salaries and other benefits increased from approximately RMB3.9 million for the year ended 31 December 2016 by approximately RMB4.6 million or 116.6% to approximately RMB8.5 million for the year ended 31 December 2017; and then further increased by approximately RMB7.6 million or 89.3% to RMB16.0 million for the year ended 31 December 2018. For the five months ended 31 May 2019, our salaries and other benefits increased to approximately RMB7.0 million for the five months ended 31 May 2019 from approximately RMB5.7 million (unaudited) for the five months ended 31 May 2018. Such increases were primarily due to the general increase in the number of staff over the year/period.

Other operating expenses

The following sets forth the breakdown of our other operating expenses during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i>
Impairment losses on trade and other receivables and contract assets	2,430	9,963	15,496	9,113	3,996
Loss on written of property, plant and equipment	–	–	4,115	–	–
Others	25	53	751	12	3,029
	2,455	10,016	20,362	9,125	7,025

Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables are practically due within 90 or 180 days from the issuance of progress certificates. We don’t normally obtain collateral from our customers.

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Our Group measures loss allowances for trade receivables and other receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance is not further distinguished between our different customer bases.

For the year ended 31 December 2017, impairment losses on trade and other receivables and contract assets increased by approximately RMB7.5 million or 310.0% from RMB2.4 million for the year ended 31 December 2016 to RMB10.0 million. This increase was mainly due to the increase in impairment losses on (i) trade receivables which was in line with the substantial increase in the closing net balance of the trade receivables as at 31 December 2017 comparing with that of as at 31 December 2016; and (ii) contract assets which was generally in line with the substantial increase in the closing net balance of the contract assets as at 31 December 2017 comparing with that of as at 31 December 2016.

For the year ended 31 December 2018, impairment losses further increased by approximately RMB5.5 million or 55.5% from RMB10.0 million for the year ended 31 December 2017 to RMB15.5 million. This increase was mainly due to the increase in impairment loss on trade receivables which was in line with the substantial increase in the closing net balance of the trade receivables as at 31 December 2018 comparing with that as at 31 December 2017.

For the five months ended 31 May 2019, impairment losses were approximately RMB4.0 million, which was a substantial decrease from approximately RMB15.5 million for the year ended 31 December 2018. This was mainly due to the substantial decrease in impairment losses provided for trade receivables and contract assets for the period. Substantial provisions had been made for trade receivables and contract assets for the year ended 31 December 2018, as the past due balances of the trade receivables and contract assets as at 31 December 2018 was higher than that as at 31 December 2017. The past due balances of the trade receivables and contract assets as at 31 May 2019 was comparable to that as at 31 December 2018, and so generally no/lower additional impairment provision was made for the closing balances of trade receivables and contracts as at 31 May 2019. Thus, lower amount of impairment provision were provided for the five months ended 31 May 2019.

Profit from operations

During the Track Record Period, the profit from operation margin (i.e. profit from operation over revenue) was approximately 15.0%, 19.0%, 15.6% and 16.0% respectively.

The profit from operation margin was fairly stable at approximately 15.0%, 15.6% and 16.0% for the years ended 31 December 2016 and 2018 and the five months ended 31 May 2019 whereas, it was noticeably higher at approximately 19.0% for the year ended 31 December 2017. Such higher margin in 2017 was mainly due to (i) the higher gross profit margin; and (ii) the lower administrative expenses to revenue percentage for the year.

Finance costs

Our finance costs mainly represented (i) interests for bank loans and other borrowings; (ii) finance charges on sale and leaseback transactions; and (iii) interest on acquisition of equipment by instalments.

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Our finance costs increased (i) during each of the three years ended 31 December 2018; and (ii) for the five months ended 31 May 2019 comparing with that for the five months 31 May 2018, these were mainly due to that our bank borrowings and factoring arrangements increased over the years/period.

Profit before taxation

Our profit before taxation margin (i.e. profit before taxation over revenue) was approximately 14.5%, 18.0%, 14.8% and 15.1% during the Track Record Period.

Our profit before taxation margin stood fairly stable approximating at 15% for the year ended 31 December 2016 and 2018 and for the five months ended 31 May 2019, whereas it was noticeably higher at approximately 18.0% for the year ended 31 December 2017. Such pattern of the profit before taxation margin repeated the same trend as that for the profit from operations margin, and the reason for such trend was also the same.

Income tax

All of our Group’s subsidiaries operate in the PRC and our Group’s income tax represented PRC corporate income tax provided during the Track Record Period at the statutory rate of 25%.

Our income tax for the Track Record Period can be reconciled to the profit before taxation in the consolidated statement of profit and loss and other comprehensive income as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	22,676	89,560	176,981	52,963	92,132
Notional tax on profit before taxation, calculated at rates applicable to the respective tax jurisdictions	5,669	22,390	44,245	13,241	23,033
Tax effect of non-deductible expenses	95	338	903	643	1,470
Tax effect of super deduction for qualified research and development costs ¹	–	(784)	(8,742)	–	–
Tax effect of unused tax losses not recognised	–	67	81	58	19
Actual tax expense	5,764	22,011	36,487	13,942	24,522
Effective tax rate ²	25.4%	24.6%	20.6%	26.3%	26.6%

Note:

1. Super deduction for qualified research and development (研發費加計扣除) represents an incentive tax deduction for qualified research and development expenses under the relevant PRC tax regulation.
2. Effective tax rate is calculated by dividing actual tax expense for the Track Record Period with profit before taxation for the respective year/period.

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For the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 and 2019, our effective tax rate was relatively comparable. For the year ended 31 December 2018, our effective tax rate was comparatively lower at the rate of approximately 20.6% which was mainly due to a substantial tax effect of super deduction for qualified research and development costs of approximately RMB8.7 million.

Profit and total comprehensive income for the year/period

During the Track Record Period, our net profit margin (i.e. profit and total comprehensive income over revenue) was approximately 10.8%, 13.5%, 11.8% and 11.0% respectively.

Our net profit margin remained fairly stable for the years ended 31 December 2016 and 2018 and for the five months ended 31 May 2019. It was a bit higher at approximately 13.5% for the year ended 31 December 2017. The reason was the same as that for the profit from operation margin.

TAX PROVISION

During the preparation of the [REDACTED], the management of the Company noted that additional tax adjustment (“**Tax Adjustment**”) in an amount of approximately RMB16 million had to be made in the historical financial information (“**Historical Financial Information**”) for the three years ended 31 December 2018 which has been prepared for the [REDACTED]. Major reasons of the Tax Adjustments are as below:

1) Safety production fees provision

Under most contracts entered into in 2017 and 2018 by the Group (as subcontractors) with customers who were main contractors, the Group was contractually required by the main contractors to take up the liability for safety production fees in respect of the construction projects concerned. Accordingly, provision of safety production fees were recorded in the Group’s tax returns as tax-deductible expenses calculated with reference to revenues from construction service.

Under the applicable PRC tax rules and regulations, safety production fees may only be recorded as tax-deductible items when safety production fees were utilised by enterprises in high-risk industries, while provision for safety production fees should not be treated as tax-deductible expenses. Moreover, any unutilised provision for safety production fees for a particular financial year (but not actually paid) were required to be added back for the tax-return purpose for the same financial year.

During the Track Record Period, when tax returns were prepared, staff in the financial department of the Group verbally consulted officers of the local tax bureau concerning the treatment of safety production fee. The feedback from the local tax bureau at such time was that unutilised provision of safety production need not be added back as non-tax-deductible expenses, because such provision of safety production fees might be payable from time to time when any industrial accidents or incidents happened.

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The provision of the safety production fees was recognised as a “Special Reserve” with a corresponding deduction in “Retained Profits” in the Historical Financial Information. Related tax provision of nil, RMB2,381,000 and RMB5,337,000 was made in the Historical Financial Information for the years ended 31 December 2016, 2017 and 2018, respectively.

2) *Cut-off adjustments in revenue and cost of sales, and difference in revenue recognition method*

Cut-off adjustments in recognition of revenue and cost of sales were identified during the preparation of the Historical Financial Information. In addition, revenue attributable to construction projects was recorded by management of the Group in the tax returns based on the lower of the percentage of completion under output method and that input method.

When filing of tax returns was made during the years ended 31 December 2016, 2017 and 2018, management of the Group consulted officers of the local tax bureau. The feedback of local tax bureau was that the aforesaid approach to recognize revenue of construction projects was acceptable to the local tax bureau. When the Group’s tax returns were prepared during such years, the Group took into account the above feedback and, accordingly, adopted the revenue recognition policy that recognised the revenue from construction projects based on the lower of the percentage of completion under output method and that under input method.

During the preparation of the Historical Financial Information, consistent accounting policy was adopted to recognise revenue progressively over time using output method based on the direct measurements of the value of services delivered or surveys of works performed. Accordingly, additional tax provision of RMB1,654,000, RMB4,104,000 and RMB935,000 in connection with the cut-off adjustments of revenue and costs of sales, and different in revenue recognition method was made in the Historical Financial Information for the years ended 31 December 2016, 2017 and 2018, respectively.

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3) *Non-inclusion of certain tax adjustment*

The number of years of useful life for the Group’s fixed assets for depreciation were estimated by management of the Group to be in the range of 3 to 10 years, having regard to the nature and conditions of use of such fixed assets. Under the applicable tax rules and regulations, the minimum number of years of useful life for depreciation of machineries, plant and other production equipment shall be 10 years, while that for depreciation of tools and instrument used in production shall be 5 years. The number of years of useful life adopted for depreciation of certain fixed assets in the preparation of tax returns were less than the minimum depreciation period under the applicable tax laws. Related tax provision of RMB514,000, RMB1,193,000, and RMB15,000 was made in the Historical Financial Information for the years ended 31 December 2016, 2017 and 2018, respectively in accordance with relevant tax rules and regulations.

When Jian Zhong Engineering Equipment filed its tax return for the year ended 31 December 2018, certain technology transfer income for transactions made with its shareholder (namely, Jianzhong Construction Technology) was stated to be qualified for preferential tax treatment. However, under the applicable tax regulations, the preferential tax treatment is not applicable to income from transferring technology to related party with 100% direct or indirect shareholding. Because of such requirement, the said tax treatment claimed by Jianzhong Engineering Equipment shall not be enjoyed, and accordingly tax provision of nil, nil and RMB597,000 was made in the Historical Financial Information for the years ended 31 December 2016, 2017 and 2018, respectively.

Our Group intends to settle such tax amount of approximately total RMB16 million by self-assessment and voluntary reporting to the tax bureau.

In this respect, on 15 August 2019, the PRC Legal Advisers conducted an interview (“**Interview**”) with relevant tax bureau. The said tax bureau advised, among other things, that (1) our Group had previously consulted them and they offered guidance and opinion to our Group on certain topics for tax calculation, and (2) would not consider the payment of the tax underpaid as late payment or non-compliance and would not impose any surcharge or penalty. According to our PRC Legal Advisers, relevant tax bureau is the appropriate and competent authority supervising the tax reporting and payment matters of relevant members of our Group.

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In connection with the above tax matters, we also engaged an independent tax consultant Russell Bedford Hong Kong (the “**Tax Consultant**”) to review the tax matters and offer us advice. As advised by the Tax Consultant, our Group has no tax non-compliance of a material and systemic nature as defined under HKEx Guidance Letter GL 63-13. Moreover, the Tax Consultant considers that the risk of our Group being regarded as engaged in tax evasion is extremely low for reasons including (1) there is no objective evidence of our Group having engaged in actions of tax evasion; (2) the independent PRC auditors of our Group had issued unqualified opinion on the statutory audited accounts for the three financial years ended 31 December 2016, 2017 and 2018 and the Tax Adjustments currently identified arose due to, among other things, inadvertent clerical errors in year-end cut-off or oversight in application of tax law, and do not involve fraudulent actions referred to in Law of the People’s Republic of China on Tax Administration; and (3) relevant tax bureau confirmed in the Interview that our Group had no tax non-compliances since 1 January 2016 according to the records of the tax bureau.

Internal control measures to avoid the recurrence of tax incident

We have implemented or will implement the following measures to avoid recurrence of the tax incident:

1. we have adopted and will continue to adopt the tax computation treatment in respect of the additional tax of RMB16 million to prepare tax return and calculate the assessable profits;
2. we shall engage an independent tax adviser to (i) provide our Group with tax advice; and (ii) review tax returns before the filing; and
3. our Audit Committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and relevant laws and regulations.

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SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below presents the summary of consolidated statements of financial position of our Group as at 31 December 2016, 2017 and 2018 and 31 May 2019 extracted from the Accountants’ Report as set out in Appendix I to this document.

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	209,577	408,801	423,285	426,423
Intangible assets	26	570	793	781
Receivables under service concession arrangement	–	–	36,753	35,183
Deferred tax assets	1,871	8,735	1,632	10,146
Other non-current assets	11,975	14,229	14,548	14,985
	<u>223,449</u>	<u>432,335</u>	<u>477,011</u>	<u>487,518</u>
Current assets				
Inventories	18,472	29,828	42,579	27,443
Contract assets	14,972	140,032	254,842	370,316
Trade and other receivables	47,423	163,053	365,290	498,379
Receivables under service concession arrangement	–	–	9,249	12,332
Restricted bank balances	6,559	4,238	2,235	13,089
Cash and cash equivalents	3,751	2,009	93,772	6,508
	<u>91,177</u>	<u>339,160</u>	<u>767,967</u>	<u>928,067</u>
Current liabilities				
Trade and other payables	222,119	273,102	498,601	478,526
Contract liabilities	–	167	5,123	1,252
Loans and borrowings	14,782	104,051	134,778	139,036
Current taxation	7,252	27,496	38,401	69,513
	<u>244,153</u>	<u>404,816</u>	<u>676,903</u>	<u>688,327</u>
Net current (liabilities)/assets	<u>(152,976)</u>	<u>(65,656)</u>	<u>91,064</u>	<u>239,740</u>
Total assets less current liabilities	<u>70,473</u>	<u>366,679</u>	<u>568,075</u>	<u>727,258</u>
Non-current liabilities				
Loans and borrowings	–	36,828	5,627	1,671
Other non-current liabilities	15,128	16,957	5,460	13,089
	<u>15,128</u>	<u>53,785</u>	<u>11,087</u>	<u>14,760</u>
NET ASSETS	<u>55,345</u>	<u>312,894</u>	<u>556,988</u>	<u>712,498</u>
CAPITAL AND RESERVES				
Share capital	35,000	111,000	148,000	–*
Reserves	20,345	201,894	408,988	712,498
TOTAL EQUITY	<u>55,345</u>	<u>312,894</u>	<u>556,988</u>	<u>712,498</u>

* The balance represents amounts less than RMB1,000.

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ANALYSIS ON MAJOR COMPONENTS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our Group’s property, plant and equipment is mainly comprised of machinery, equipment and tools, (i) used in our construction services; and (ii) acquired by our Group for leasing purposes. As at 31 December 2016, 2017, 2018 and 31 May 2019, our property, plant and equipment amounted to approximately RMB209.6 million, RMB408.8 million, RMB423.3 million and RMB426.4 million, respectively, representing approximately 66.6%, 53.0%, 34.0% and 30.1% of our Group’s total assets.

The considerable increase of approximately RMB199.2 million (representing an increase of approximately 95.1%) in property, plant and equipment from approximately RMB209.6 million as at 31 December 2016 to approximately RMB408.8 million as at 31 December 2017 was primarily due to our acquisition of construction machinery, equipment and tools in order to support our business.

The increase in property, plant and equipment from approximately RMB408.8 million as at 31 December 2017 to approximately RMB423.3 million as at 31 December 2018, represented a slight increase of approximately 3.5%. As at 31 May 2019, property, plant and equipment was approximately RMB426.4 million, representing a minor increase of approximately RMB3.1 million or 0.7% from approximately RMB423.3 million.

Receivables under service concession arrangement

On 21 December 2017, we submitted our bid application in respect of a BOT project corresponding to a sewage treatment plant situated in Fujian Province, which we were successfully awarded subsequently. Under the BOT arrangement, our Group carried out construction works on the upgrading the facilities of the sewage treatment and in return, received a right to operate the infrastructure until 30 April 2030.

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Our receivables under service concession arrangement in respect of sewage treatment service concession arrangement are as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected collection schedule:				
Non-current portion				
After one year but within five years	–	–	14,656	14,596
After five years but within ten years	–	–	17,586	17,490
After ten years	–	–	4,511	3,097
	–	–	36,753	35,183
Current portion – within one year	–	–	9,249	12,332
	–	–	46,002	47,515
	–	–	46,002	47,515

The balance mainly represented the aggregated receivables from the local government for (i) the revenue from the construction of sewage treatment infrastructure; and (ii) the revenue from the operation of sewage treatment plant. For details of the construction and operation of sewage treatment infrastructure, please refer to the section of “Business — Our services — 1(c). Construction of sewage treatment infrastructure” and “Business — Our services — 3. Sewage treatment operation” of this document.

Deferred tax assets

Deferred tax assets were mainly arising from temporary differences related to (i) credit loss allowances; (ii) construction costs; and (iii) depreciation in excess of related allowances.

As at 31 December 2017, deferred tax assets balances increased from approximately RMB1.9 million as at 31 December 2016 to RMB8.7 million. This was mainly due to the increase in the temporary differences arising from credit loss allowance and construction costs.

As at 31 December 2018, deferred tax assets balance dropped to approximately RMB1.6 million. This was mainly due to taxable temporary difference arising from change in tax regulation in 2018. According to the tax regulation implemented in 2018, all the newly acquired fixed assets with value under RMB5 million can be entitled to a one-off immediate full amount of tax deduction in the same year. This gave rise to the deferred tax liability balance as at 31 December 2018.

As at 31 May 2019, our deferred tax assets balance increased to approximately RMB10.1 million. This was mainly caused by changes in temporary difference arising from depreciation in excess of related allowances.

Other non-current assets

Other non-current assets mainly represented prepaid amounts to suppliers of property, plant and equipment which the balances as at 31 December 2016, 2017 and 2018 and 31 May 2019 was comparatively stable and amounted to approximately RMB12.0 million, RMB14.2 million, RMB14.5 million and RMB15.0 million, respectively.

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Inventories

Inventories primarily consisted of materials and consumables which were mainly used on our construction sites for construction process in a timely manner. The fluctuations of our inventories balances as at the end of each of the Track Record Period was due to the number of construction works projects running and crossing the year/period end date, and mixing with the progress of each of our such construction works projects.

Contract assets

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

A contract asset is recognised when we recognise revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets primarily relate to our rights to consideration for work completed but not yet reached the milestones for billing at the reporting date. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(h)(i) of the Accountants’ Report in Appendix I to this document. Contract assets are reclassified to receivables when the right to the consideration has become unconditional.

We recognise revenue based on the contract value of our work performed and progress certificate issued by customers. Contract assets primarily relate to the Group’s rights to consideration of work completed but not yet reached the milestones for billing at the reporting date. After commencement of the project and subject to the terms of the contract, we would submit progress reports to our customers periodically, indicating the volume of work that we have performed. Subject to the certification of work by the relevant professionals appointed by our customers, we would be entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified volume of work completed.

Contract assets represent the amount of works performed but not yet reached the milestones for billing as below:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract assets, gross	15,668	145,638	263,993	379,319
Credit loss allowance	(696)	(5,606)	(9,151)	(9,003)
	<u>14,972</u>	<u>140,032</u>	<u>254,842</u>	<u>370,316</u>
Gross amount of contract assets expected to be recovered after more than one year	<u>15,061</u>	<u>90,420</u>	<u>124,200</u>	<u>172,400</u>
Proportion of the gross amount of contract assets expected to be recovered after more than one year ^{Note}	96.1%	62.1%	47.0%	45.4%

Note: It is calculated by dividing net contract assets with the gross amount of contract assets expected to be recovered after more than one year.

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As at the 31 December 2016, 2017, 2018 and 31 May 2019, the balances of contract assets were increasing which were in line with the revenue recognised for construction services for the respective year/period.

Also, the yearly/periodic fluctuations of the balance of contract assets was due to the mix of (i) different construction works projects; (ii) the progress of each of such construction works projects; and (iii) the varied payment schedules different from project to project. With the increasing trend for the balances, it also represented that other than the new balances of contracts assets recognised for the year/period, there was generally accumulated balances of contract assets carried forward from the last year. In this regard, it was noted that approximately 96.1%, 62.1%, 47.0% and 45.4% of the gross amount of contract assets were expected to be recovered after more than one year.

The following sets forth details of the top-10 contract asset balances as at 31 May 2019:

Project code	Sub-category of construction service segment	As at 31 May 2019
		<i>RMB'000</i>
1. BM000125	Foundation works	22,079
2. BM000829	Foundation works	20,234
3. BM000892	Foundation works	10,767
4. BM001275	Foundation works	10,078
5. BM001263	Foundation works	9,400
6. BM000072	Formwork and scaffolding works	9,280
7. BM000037	Foundation works	9,270
8. BM000004	Foundation works	8,920
9. BM000101	Foundation works	7,785
10. BM000068	Formwork and scaffolding works	7,431
		115,244
Others		255,072
		<u>370,316</u>

Trade receivables and other receivables

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, net of loss allowance				
– third parties	28,749	123,810	251,742	366,460
– related parties	1,389	1,362	7,787	2,712
	30,138	125,172	259,529	369,172
Bills receivables	–	–	59,539	69,462
	30,138	125,172	319,068	438,634
Prepayments to suppliers	5,493	17,139	22,691	43,277
Amounts due from related parties	270	–	2,024	300
Deposits and other receivables	11,522	20,742	21,507	16,168
	<u>47,423</u>	<u>163,053</u>	<u>365,290</u>	<u>498,379</u>

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Trade receivables

Our balances of trade receivables include trade receivables under factoring agreements with recourse but exclude trade receivables under factoring agreements with non-recourse.

As part of our normal business, our Group has entered into certain factoring agreements with certain banks and factoring companies. As at 31 December 2016, 2017 and 2018 and 31 May 2019, outstanding trade receivables of approximately RMB43.1 million, RMB40.2 million, RMB241.1 million and RMB378.6 million, respectively, were transferred to certain banks or factoring companies in accordance with non-recourse factoring agreements, and the corresponding trade receivables were derecognised as our Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore these receivables were qualified for derecognition.

In addition, our Group also entered into some factoring agreements with recourse. Under these agreements, the Group may be required to reimburse the bank for loss of interest if any trade receivables have not been fully paid upon due dates. Our Group has retained the substantial risks and rewards, which include default risks of the trade receivables after the transfer. Subsequent to the transfer, our Group did not have the rights to transfer or pledge of the trade receivables to any other third parties. As at 31 December 2016, 2017 and 2018 and 31 May 2019, trade receivables of nil, approximately RMB74.2 million, RMB58.4 million and RMB58.4 million, respectively, were factored to the bank with recourse and were not derecognised. The associated liabilities with the same amount were also recognised as bank loans.

Bills receivables

Bills receivables mainly represent commercial acceptance bills issued by reputable private corporations in the PRC and are normally matured within six or 12 months. Our Group considers the expected credit loss of bills receivable is to be insignificant.

As at 31 December 2018 and 31 May 2019, outstanding commercial acceptance bills of approximately RMB58.1 million and RMB69.2 million, respectively, were endorsed to certain suppliers with recourse and were not derecognised. The associated liabilities with the same amount were included in trade and other payables.

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Ageing analysis of trade receivables and bills receivables

As at 31 December 2016, 2017, and 2018 and 31 May 2019, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on date of progress certificates or date of issuance of bills and net of loss allowance, is as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	15,841	55,835	72,211	126,025
More than 1 month but within 3 months	11,534	57,069	113,222	111,165
More than 3 months but within 6 months	852	7,112	72,526	97,005
More than 6 months but within 12 months	1,911	2,958	45,741	81,502
More than 12 months	–	2,198	15,368	22,937
	<u>30,138</u>	<u>125,172</u>	<u>319,068</u>	<u>438,634</u>

Further details on our credit policy and credit risk arising from contract assets and trade receivables are set out in the paragraphs headed “Analysis on major components of the consolidated statements of financial position — Credit losses and impairment assessment on contract assets and trade receivables” and “Analysis on major components of the consolidated statements of financial position — Credit risk management on contract assets and trade receivables” of this section below.

Trade receivables and bills receivables turnover days

The following table sets forth our trade receivables and bills receivables turnover days during the Track Record Period:

	Year ended 31 December			Five months ended 31 May
	2016	2017	2018	2019
	<i>Days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivables and bills receivables turnover days	<u>38</u>	<u>57</u>	<u>71</u>	<u>94</u>

Note: Trade receivables and bills receivables turnover days is calculated based on the average of the aggregated beginning and ending balances of the trade receivables and bill receivables divided by revenue (excluding the revenues from (i) the construction of sewage treatment infrastructure; and (ii) the sewage treatment operation) for the year/period and multiplied by the number of days of the year (i.e. 365 days for a full year). Our total revenue for the five months ended 31 May 2019 is annualised for this purpose.

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Our trade receivables and bills receivables turnover days increased from 38 days to 57 days, then to 71 days and further to 94 days for the year ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, respectively.

Our trade receivables are practically due within 90 or 180 days from the date of progress certificates. Our bills receivables normally mature within six months or 12 months. Our trade receivables and bills receivables turnover days are (i) roughly within or slightly above the lower end of the 90 days of the trade receivables due day from the date of progress certificates; and (ii) within the bills receivables normal maturity period.

Credit losses and impairment assessment on contract assets and trade receivables

We recognise a loss allowance for ECLs on trade receivables and contract assets. For details, in particular, for measurements of ECLs, significant increases in credit risk and write-off policy, please see note 2(h)(i) of the Appendix I to this document.

Credit risk management on contract assets and trade receivables

Our credit risk is primarily attributable to trade receivables, bills receivables and contract assets. Bills receivables mainly represent commercial acceptance bills issued by reputable private corporations in the PRC and normally mature within six months or 12 months. We consider the expected credit loss of bills receivables to be insignificant. Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. For the size of such concentration of credit risk, please see note 26(a) of the Appendix I to this document.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are practically due within 90 or 180 days from the issuance of progress certificates. Normally, we do not obtain collateral from our customers.

We measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance is not further distinguished between the Group’s different customer bases.

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The following provides information about the Group’s exposure to credit risk and ECLs for trade receivables and contract assets during the Track Record Period:

As at 31 December 2016

	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	%	<i>RMB'000</i>	<i>RMB'000</i>
Current (not past due)	4.4%	44,663	(1,983)
Less than 12 months past due	20.0%	3,037	(607)
		<u>47,700</u>	<u>(2,590)</u>

As at 31 December 2017

	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	%	<i>RMB'000</i>	<i>RMB'000</i>
Current (not past due)	3.8%	269,025	(10,355)
Less than 12 months past due	15.0%	5,738	(859)
More than 12 months past due	21.6%	2,110	(455)
		<u>276,873</u>	<u>(11,669)</u>

As at 31 December 2018

	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	%	<i>RMB'000</i>	<i>RMB'000</i>
Current (not past due)	3.5%	448,696	(15,555)
Less than 12 months past due	12.4%	90,099	(11,168)
More than 12 months past due	25.6%	3,091	(792)
		<u>541,886</u>	<u>(27,515)</u>

As at 31 May 2019

	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	%	<i>RMB'000</i>	<i>RMB'000</i>
Current (not past due)	2.4%	677,969	(16,065)
Less than 12 months past due	14.0%	72,217	(10,112)
More than 12 months past due	25.6%	20,813	(5,334)
		<u>770,999</u>	<u>(31,511)</u>

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In addition to the above provision matrix, we have made individual loss allowance for a customer. As at 31 December 2017 and 2018 and 31 May 2019, the accumulated individual loss allowance was approximately RMB0.4 million, RMB0.7 million and RMB0.7 million with the carrying amounts before loss allowance of approximately RMB0.4 million, RMB0.7 million and RMB0.7 million, respectively.

Expected loss rates are based on historical credit loss experience over the past years or loss rates of comparable companies with published financials when there was no sufficient historical experience. These rates are adjusted for factors that are specific to the trade receivables, current conditions and our view of economic conditions over the expected lives of the trade receivables and contract assets.

Movement in the loss allowance account in respect of the trade receivables and contract assets during the Track Record Period is as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at the beginning of the year/period	143	2,590	12,056	28,201
Impairment losses recognised	2,447	9,466	16,145	3,996
Balance at the end of the year/period	<u>2,590</u>	<u>12,056</u>	<u>28,201</u>	<u>32,197</u>

Prepayments to suppliers

The following sets forth our prepayments to suppliers as at the end of each of the Track Record Period:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments to suppliers	<u>5,493</u>	<u>17,139</u>	<u>22,691</u>	<u>43,277</u>

Prepayments to suppliers mainly represented prepayments to our suppliers of construction materials for our construction business.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the balance of prepayments to suppliers increased. This was generally in line with the trend of our revenue from construction services.

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Deposits and other receivables

The following table sets forth our deposits and other receivables as at 31 December 2016, 2017 and 2018 and 31 May 2019:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deductible input VAT	11,320	14,772	8,704	5,264
Performance deposits	–	3,511	4,272	3,550
Tender deposits	–	1,141	1,875	954
Others	202	1,318	6,656	6,400
	<u>11,522</u>	<u>20,742</u>	<u>21,507</u>	<u>16,168</u>

As at the end of each of the Track Record Period, our balances of deposits and other receivables were comparatively stable as at the end of 31 December 2017 and 2018 whereas the balances as at 31 December 2016 and 31 May 2019 were comparatively lower. The balance as at 31 December 2016 was lower as we had no performance deposits and made no tender deposits. As at 31 May 2019, we had lower balance of deductible input VAT.

Restricted bank balances

The balances of restricted bank balances represented deposits pledged to banks as security for bill payables.

Cash and cash equivalent

We had a comparatively stable low balances of cash and cash equivalents as at 31 December 2016 and 2017 and 31 May 2019. Our cash and cash equivalent stood at a high balance as at 31 December 2018 due to a capital injection of RMB103.6 million from the [REDACTED] in December 2018.

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Trade and other payables

The following table sets forth our trade and other payables as at 31 December 2016, 2017 and 2018 and 31 May 2019:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
– third parties	50,219	136,882	265,871	220,236
– related parties	17,508	8,619	13	–
	<u>67,727</u>	<u>145,501</u>	<u>265,884</u>	<u>220,236</u>
Bills payables	5,772	9,866	19,851	53,786
	<u>73,499</u>	<u>155,367</u>	<u>285,735</u>	<u>274,022</u>
Payables to suppliers of property, plant and equipment	55,364	66,719	70,920	45,208
Payables for acquisition of equipment by installments – current portion	15,457	27,843	29,488	23,351
Other payables and accruals	4,827	21,154	40,336	61,940
Obligations for bills endorsed with recourse	–	–	58,145	69,237
Interest payable	16	68	105	643
Amounts due to related parties	72,956	1,951	13,872	4,125
	<u>222,119</u>	<u>273,102</u>	<u>498,601</u>	<u>478,526</u>

As at 31 December 2016, 2017 and 2018 and 31 May 2019, all trade and other payables were expected to be settled within one year or repayable on demand.

Trade payables

Trade payables represented payables to our suppliers for the cost of sales. Our balances of trade payables were increasing as at the end of each of the Track Record Period. This was generally in line with the trend of our revenue from construction services.

Bills payables

Certain of our bills payables were pledged by restricted bank balances.

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Ageing analysis of trade and bills payables

As at 31 December 2016, 2017, and 2018 and 31 May 2019, the ageing analysis of trade and bills payable (which were included in trade and bills payables), based on invoice date/transaction date, was as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	32,178	65,983	87,340	72,727
More than 1 month but within 3 months	11,471	36,879	79,251	79,994
More than 3 months but within 6 months	21,283	19,142	62,487	68,110
More than 6 months but within 12 months	6,048	21,877	40,681	28,744
More than 12 months	2,519	11,486	15,976	24,447
	<u>73,499</u>	<u>155,367</u>	<u>285,735</u>	<u>274,022</u>

Further details on our liquidity risk arising from our financial liabilities, including the trade and bills payables, are set out in note 26(b) of the Accountants’ Report in Appendix I to this document.

Trade and bills payables turnover days

The following table sets forth our trade and bills payables turnover days during the Track Record Period:

	Year ended 31 December			Five months ended 31 May
	2016	2017	2018	2019
	<i>Days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade and bills payable turnover days	<u>158</u>	<u>113</u>	<u>89</u>	<u>90</u>

Note: Trade and bills payables turnover days is calculated based on the average of the aggregated beginning and ending balances of the trade and bills payables divided by total cost of sales for the year/period and multiplied by the number of days of the year (i.e. 365 days for a full year). Our total cost of sales for the five months ended 31 May 2019 is annualised for this purpose.

Our trade and bills payables are repayable within one year or on demand.

Our trade and bills payables turnover days decreased from 158 days to 113 days, then to 89 days and remained relatively stable at 90 days for the three years ended 31 December 2018 and the five months ended 31 May 2019, respectively, all of which were within the repayment period.

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Other payables and accruals

The following table sets forth further details of our other payables and accruals as at 31 December 2016, 2017 and 2018 and 31 May 2019:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
VAT payables and other tax surcharge payables	181	14,007	23,156	36,271
Salaries and wages payables	4,151	5,432	7,276	8,672
Others	495	1,715	9,904	16,997
	4,827	21,154	40,336	61,940

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the balances of our other payables and accruals increased. This was mainly due to the increase in the balances of (i) VAT payables and other tax surcharge payables which were generally in line with our business growth as reflected by our increased revenue; and (ii) salaries and wages payables which was mainly due to the increase in number of employees. Our salaries and wages payables represent payables for all of our salaries and wages expenses under cost of sales and administrative expenses (including the R&D costs).

Obligations for bills endorsed with recourse

The obligations for bills endorsed with recourse amounted to approximately RMB58.1 million and RMB69.2 million as at 31 December 2018 and 31 May 2019, respectively. They represented the same amount of the outstanding commercial acceptance bills endorsed to certain of our suppliers with recourse. The amount of the commercial acceptance bill receivables endorsed were not derecognised. The associated liabilities with the same amount were also included in the obligations for bills endorsed with recourse of the trade and other payables.

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INDEBTEDNESS

As at 30 June 2019, being the latest practicable date for this indebtedness statement, save as disclosed below, our Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding. The following table sets forth details of our indebtedness as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 June
	2016	2017	2018	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current					
Bank loans-secured	13,000	87,627	122,314	127,434	127,434
Bank loans-unsecured	–	–	437	–	–
Lease liabilities	1,782	639	2,602	2,810	2,986
Obligations arising from sale and lease back transactions	–	9,285	9,425	8,792	9,048
Other borrowings	–	6,500	–	–	–
Payables for acquisition of equipment by installments-current portion	15,457	27,843	29,488	23,351	21,869
Non-trade related amounts due to related parties	72,956	1,951	13,872	4,125	905
	103,195	133,845	178,138	166,512	162,242
Non-current					
Bank loans-secured	–	21,560	–	–	–
Lease liabilities	–	1,307	1,091	749	573
Obligations arising from sale and lease back transactions	–	13,961	4,536	922	461
Payables for acquisition of equipment by installments-non-current portion	15,128	16,957	5,460	13,089	13,803
	15,128	53,785	11,087	14,760	14,837
	118,323	187,630	189,225	181,272	177,079

As at the 30 June 2019, being the latest practicable date for the indebtedness statement, our Group had interest-bearing bank loans of approximately RMB127.4 million (unaudited), lease liabilities of approximately RMB3.6 million (unaudited), obligations arising from sale and lease back transactions of approximately RMB9.5 million (unaudited), payables for acquisition of equipment by installments of approximately RMB35.7 million (unaudited) and non-trade related amounts due to related parties of approximately 0.9 million (unaudited).

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Loans and borrowings

Bank loans

The following table sets forth further details of our bank loans as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 June
	2016	2017	2018	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
<i>Balance of bank loans – secured</i>					
– guaranteed and secured by pledge of certain properties ^{Note}	13,000	35,000	63,880	69,000	69,000
– secured by pledge of trade receivables with same amount	–	74,187	58,434	58,434	58,434
	13,000	109,187	122,314	127,434	127,434
<i>Balance of bank loans – unsecured</i>	–	–	437	–	–
	13,000	109,187	122,751	127,434	127,434
<i>Effective interest rate profile for bank loans</i>					
Fixed rate	6.5% – 7.2%	7.2%	7.2% – 7.8%	7.5% – 7.8%	7.5%–7.8%
Variable rate	–	4.6% – 6.9%	5.2% – 6.1%	5.2%	5.2%

Note: As at 31 December 2016, 2017 and 2018, our bank loans of approximately RMB13.0 million, RMB35.0 million and RMB63.9 million, respectively were guaranteed by the Controlling Shareholder and his spouse and secured by certain properties owned by the Controlling Shareholder.

As at 31 May 2019 and 30 June 2019, our bank loans of approximately RMB69.0 million and RMB69.0 million (unaudited), respectively were (i) guaranteed by the Controlling Shareholder and his spouse; and (ii) secured by pledge of certain properties of an independent third party for the benefit of our Group which we had to pay a guarantee fee based on 1.5% of the drawdown amount.

As at 31 December 2016, 2017 and 2018, 31 May 2019 and 30 June 2019, our Group recorded bank loans of approximately RMB13.0 million, RMB109.2 million, RMB122.8 million, RMB127.4 million and RMB127.4 million (unaudited). Our Group’s bank loans were primarily used to finance our operations.

Almost all of our bank loans were secured. Further details of our interest rate risk for the bank loans, please see note 26(c) of the Accountants’ Report in Appendix I to this document.

Lease liabilities

Our lease liabilities represented the related liabilities arisen when obtaining the right to use certain office/factory buildings through tenancy agreements. For further details of our lease liabilities, please see the Accountants’ Report in Appendix I to this document.

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Obligations arising from sale and leaseback transactions

In 2017, we sold some of our construction machinery and equipment to external parties and leased them back for a term of three years which were not determined to be sales under HKFRS15. As such, we continued to recognise the underlying assets, and recognise financial liabilities for the considerations received and that were the obligations arising from sale and leaseback transactions. No gain or loss were recognised from the sale and leaseback transactions. Details please see note 11(iii) of the Appendix I to this document.

After its initial recognition in 2017, the balance of the obligations arising from the sale and leaseback transactions kept decreasing as at 31 December 2018 and 31 May 2019 which was due to the repayment of the principal portion of the liability over the year/period. For further details of repayment and the maturity analysis, please see note 21(c) of the Accountants’ Report in Appendix I to this document.

As at 31 December 2017 and 2018 and 31 May 2019, obligations arising from the sale and leaseback transactions of approximately RMB9.4 million, RMB5.5 million and RMB3.6 million were secured by underlying assets with carrying values of approximately RMB17.9 million, RMB16.3 million and RMB15.7 million, respectively. All the obligations arising from sale and leaseback transactions during the Track Record Period and as at 30 June 2019, were guaranteed by the Controlling Shareholder and entities controlled by him.

For further details of our interest rate risk for the obligations arising from sale and leaseback transactions, please see note 26(c) of the Accountants’ Report in Appendix I to this document.

Other borrowings

The other borrowings as at 31 December 2017 were fully repaid in 2018. The other borrowings were unsecured, interest-free and repayable on demand.

Payables for acquisition of equipment by installments and other non-current liabilities

Other non-current liabilities represented the non-current portion of payables for acquisition of equipment by installments. For each of the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, the effective interest rates of the payables are 6%, 7.2%, 7.2%, 7.2% (unaudited) and 7.2%, respectively.

The following sets forth details of our payables for acquisition of equipment by installments, including both current and non-current portions as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 June
	2016	2017	2018	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Payables for acquisition of equipment by instalments . . .	30,585	44,800	34,948	36,440	35,672
	30,585	44,800	34,948	36,440	35,672

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As at 30 June 2019, we have access to undrawn available banking facilities of RMB31 million which were (i) guaranteed by the Controlling Shareholder and his spouse; and (ii) secured by pledge of certain properties of an independent third party for the benefit of an Group which the Group had to pay a guarantee fee based on 1.5% of the drawdown amount.

As at the Latest Practicable Date, our Directors confirm that our Group has obtained consent from the banks to release all guarantees and securities provided to us by our Controlling Shareholders and their close associates which will be replaced by the corporate guarantee provided by our Company upon [REDACTED] (as applicable).

Amounts due to related parties

The amount due to related parties was non-trade related, unsecured, interest free and repayable on demand.

As at 31 May 2019, the amounts due to related parties were payables to the then shareholders on 7 May 2019 arising from the Reorganisation, which were fully settled in July 2019. Our Directors confirmed that as at the Latest Practicable Date, the non-trade related amounts due to related parties had been settled.

For further details of the Reorganisation, please see (i) note 25(c)(iv) of the Accountants’ Report in Appendix I; and (ii) “History, Reorganisation and Corporate Structure — Reorganisation”.

Capital Commitments

Our capital commitments outstanding as at 31 December 2016, 2017 and 2018 and 31 May 2019 contracted for but not provided for in our historical financial information were as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	2,459	11,160	5,093	906

Our capital commitments represented capital commitments for the purchase of the machinery and equipment.

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NET CURRENT (LIABILITIES)/ASSETS

	As at 31 December			As at 31 May	As at 31 July
	2016	2017	2018	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
CURRENT ASSETS					
Inventories	18,472	29,828	42,579	27,443	27,824
Contract assets	14,972	140,032	254,842	370,316	429,263
Trade and other receivables	47,423	163,053	365,290	498,379	526,071
Receivables under service concession arrangement	–	–	9,249	12,332	12,544
Restricted bank balances	6,559	4,238	2,235	13,089	88
Cash and cash equivalents	3,751	2,009	93,772	6,508	23,958
	91,177	339,160	767,967	928,067	1,019,748
CURRENT LIABILITIES					
Trade and other payables	222,119	273,102	498,601	478,526	492,769
Contract liabilities	–	167	5,123	1,252	7,238
Loans and borrowings	14,782	104,051	134,778	139,036	152,177
Current taxation	7,252	27,496	38,401	69,513	84,402
	244,153	404,816	676,903	688,327	736,586
NET CURRENT (LIABILITIES)/ASSETS	(152,976)	(65,656)	91,064	239,740	283,162

As at 31 December 2016, we had a net current liabilities position of approximately RMB153.0 million. This was mainly attributable to a combined effect of (i) trade and other payables of approximately RMB222.1 million; (ii) loans and borrowings of approximately RMB14.8 million; and offset by (iii) trade and other receivables of approximately RMB47.4 million; (iv) inventories of approximately RMB18.5 million; and (v) contract assets of approximately RMB15.0 million.

As at 31 December 2017, the net current liabilities position continued but with a substantial improvement. The net current liabilities position decreased by approximately RMB87.3 million or 57.1% to RMB65.7 million. Current assets increased substantially by approximately 272.0% mainly due to the substantial increases in contract assets and trade and other receivables in an aggregate amount by approximately RMB240.7 million.

As at 31 December 2018, our working capital position further improved from a net current liabilities position of approximately RMB65.7 million as at 31 December 2017 to a net current assets position of approximately RMB91.1 million. This was mainly due to the substantial increase in the current assets which was in turn due to the substantial increase in the contract assets and trade and other receivables in an aggregate amount by approximately RMB317.0 million.

As at 31 May 2019, our working capital position further solidified to a net current assets position of approximately of RMB239.7 million. This was mainly due to the substantial increase in current assets which was in turn due to the substantial increase in the contract assets and trade and other receivables in an aggregate amount by approximately RMB248.6 million or 40.1%.

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Although we recorded a net current liabilities position in the first two years of the Track Record Period, our working capital position has continued to improve and finally turned to net current assets position as at 31 December 2018.

Furthermore, we did not tie up much of our working capital on inventories. Our inventories level was comparatively low. This further lessened our working capital burden.

During the Track Record Period, our business was expanding and profitable. During the Track Record Period, we record profit and total comprehensive income for the year/period of approximately RMB16.9 million, RMB67.5 million, RMB140.5 million and RMB67.6 million, respectively.

Measures to maintain our net current assets positions

We generally financed our operations by a combination of (i) net cash generated from operating activities for each of the three years ended 31 December 2018; and (ii) loans and borrowings and capital injections from equity shareholders during the Track Record Period. In view of our financial position and factors attributable to our historical net current liabilities position as at 31 December 2016 and 2017 which had been returned to net current assets position since 31 December 2018, we have taken and will continue to take the following measures, to the extent where applicable and appropriate, to maintain our liquidity and finance our capital requirements:

(i) Arrangement for acquisition of fixed assets

During the Track Record Period, we had arrangements of sales and lease back transactions and acquisitions by instalments to acquire some of our fixed assets. To the extent where applicable and appropriate, we will consider having such kind of arrangements if we have capital expenditure needs.

(ii) Trade financings

We will continue to explore various possibilities for trade financings, such as factoring agreements with banks and factoring companies (with or without recourse), issuing bills payables and endorsing commercial acceptance bills to our supplies.

(iii) Maintain stable relationship with our principal banks and factoring companies

We will continue to maintain stable relationship with our principal banks and factoring companies with a view to obtain new loan and trade finance facilities on terms acceptable to our Group.

(iv) Risk Management Review Committee

We established the Risk Management Review Committee in August 2019 to manage and control the liquidity and credit risks. For details, please refer to “Business — Risk Management”.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

We mainly financed our operation through (i) net cash generated from operating activities for each of the three years ended 31 December 2018; (ii) loans and borrowings and capital injections from equity shareholders during the Track Record Period.

Our primary uses of cash are mainly for financing our operations, satisfying our capital expenditure needs and repaying bank loans and borrowing and repayments to related parties. During the Track Record Period, our principal sources of liquidity and capital resources were cash flows generated from operating activities and financing activities.

Cash flows

The table below sets forth a condensed summary of our consolidated statements of cash flows during the Track Record Period. This information should be read together with the consolidated financial information contained in the Accountants’ Report in Appendix I to this document.

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Net cash generated from/(used in)					
operating activities	60,369	5,588	67,838	(19,566)	(84,933)
Net cash (used in) investing activities	(80,569)	(201,313)	(90,106)	(41,181)	(59,350)
Net cash generated from financing activities	23,474	193,983	114,031	59,915	57,019
Net increase/(decrease) in cash and cash equivalents	3,274	(1,742)	91,763	(832)	(87,264)
Cash and cash equivalents at the beginning of the year/period	477	3,751	2,009	2,009	93,772
Cash and cash equivalents at the end of the year/period	<u>3,751</u>	<u>2,009</u>	<u>93,772</u>	<u>1,177</u>	<u>6,508</u>

Operating activities

Our Group derived cash generated from operating activities primarily from the receipt of payments from the trade and other receivables. Cash used in our Group’s operating activities primarily included (i) material cost, subcontracting fee and other cost of sales; and (ii) research and development costs, salaries and other benefits for our administrative staff and other miscellaneous administrative operating expenses.

FINANCIAL INFORMATION

Year ended 31 December 2016

For the year ended 31 December 2016, we recorded a profit before taxation of approximately RMB22.7 million and net cash generated from operating activities of approximately RMB60.4 million. The difference was mainly attributable to (i) adjustment for depreciation of property, plant and equipment owned and right-of-use assets of approximately RMB31.2 million; (ii) net cash generated for changes in working capital of approximately RMB3.8 million; and (iii) adjustment for impairment losses on trade and other receivables and contract assets of approximately RMB2.4 million.

Year ended 31 December 2017

For the year ended 31 December 2017, we recorded a profit before taxation of approximately RMB89.6 million and net cash generated from operating activities of approximately RMB5.6 million. The difference was mainly attributable to (i) net cash used in for changes in working capital of approximately RMB156.6 million; and offset by (ii) adjustment for depreciation of property, plant and equipment owned and right-of-use assets of approximately RMB65.8 million; (iii) adjustment for impairment losses on trade and other receivables and contract assets of approximately RMB10.0 million; and (iv) adjustment for finance costs of approximately RMB5.4 million.

Year ended 31 December 2018

For the year ended 31 December 2018, we recorded a profit before taxation of approximately RMB177.0 million and net cash generated from operating activities of approximately RMB67.8 million. The difference was mainly attributable to (i) net cash used in for changes in working capital of approximately RMB214.8 million; and offset by (ii) adjustment for depreciation of property, plant and equipment owned and right-of-use assets of approximately RMB94.4 million; (iii) adjustment for impairment losses on trade and other receivables and contract assets of approximately RMB15.5 million; (iv) adjustment for finance costs of approximately RMB9.1 million; and (v) adjustment for loss on property, plant and equipment written off of approximately RMB4.1 million.

Five months ended 31 May 2019

For the five months ended 31 May 2019, we recorded a profit before taxation of approximately RMB92.1 million and net cash used in operating activities of approximately RMB84.9 million. The difference was mainly attributable to (i) net cash used in for changes in working capital of approximately RMB227.4 million; and offset by (ii) adjustment for depreciation of property, plant and equipment owned and right-of-use assets of approximately RMB43.1 million; (iii) adjustment for impairment losses on trade and other receivables and contract assets of approximately RMB4.0 million; and (iv) adjustment for finance costs of approximately RMB5.9 million.

Investing activities

During the Track Record Period, our cash flows for investing activities primarily consisted of payment for purchase of property, plant and equipment.

FINANCIAL INFORMATION

Financing activities

During the Track Record Period, our cash flows for financing activities primarily consisted of (i) capital injections from equity shareholders; (ii) proceeds from loans and other borrowings; (iii) advances from related parties; and offset mainly by (iv) repayments of loans and other borrowings; and (v) repayments to related parties.

Year ended 31 December 2016

For the year ended 31 December 2016, we recorded net cash generated from financing activities of approximately RMB23.5 million. This was mainly attributed to (i) capital injections from equity shareholders of RMB20 million; (ii) proceeds from bank loans of approximately RMB51.3 million; (iii) advances from related parties of approximately RMB251.7 million; and offset mainly by (iv) repayments of bank loans of approximately RMB51.7 million; (v) payment for acquisition of equipment by instalments of approximately RMB5.8 million; and (vi) repayments to related parties of approximately RMB239.3 million.

Year ended 31 December 2017

For the year ended 31 December 2017, we recorded net cash generated from financing activities of approximately RMB194.0 million. This was mainly attributed to (i) capital injections from equity shareholders of RMB190 million; (ii) proceeds from bank loans of approximately RMB144.2 million; (iii) proceeds from borrowings under sales and leaseback transactions of approximately RMB10.0 million; (iv) proceeds from other borrowings of RMB9.5 million; (v) advances from related parties of approximately RMB245.8 million; and offset mainly by (vi) repayments of bank loans of RMB48 million; (vii) payment for acquisition of equipment by instalments of approximately RMB25.1 million; (viii) payments for capital element of obligations arising from sale and leaseback transactions of approximately RMB4.7 million; and (ix) repayments to related parties of approximately RMB317.4 million.

Year ended 31 December 2018

For the year ended 31 December 2018, we recorded net cash generated from financing activities of approximately RMB114.0 million. This was mainly attributed to (i) capital injections from the [REDACTED] Investor of RMB103.6 million; (ii) proceeds from bank loans of approximately RMB220.8 million; (iii) advances from related parties of approximately RMB261.7 million; and offset mainly by (iv) repayments of bank loans of RMB207.3 million; (v) payment for acquisition of equipment by instalments of approximately RMB18.8 million; (vi) payments for capital element of obligations arising from sale and leaseback transactions of approximately RMB9.3 million; (vii) repayments of other borrowings of RMB6.5 million; and (viii) repayments to related parties of approximately RMB220.3 million.

FINANCIAL INFORMATION

Five months ended 31 May 2019

For the five months ended 31 May 2019, we recorded net cash generated from financing activities of approximately RMB57.0 million. This was mainly attributed to (i) capital injections from equity shareholders of RMB92.0 million; (ii) proceeds from bank loans of approximately RMB25.0 million; (iii) advances from related parties of approximately RMB25.3 million; and offset mainly by (iv) repayments of bank loans of RMB20.3 million; (v) payment for acquisition of equipment by instalments of approximately RMB16.9 million; and (vi) repayments to related parties of approximately RMB37.4 million.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditures were approximately RMB147.0 million, RMB262.8 million, RMB114.7 million; and RMB47.8 million, respectively. We incurred capital expenditures mainly for the purchases of (i) machinery and equipment; and (ii) tools.

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, financing arrangements with financial institutions and suppliers (such as sales and lease back transactions and acquisitions by installments), as well as net [REDACTED] from the [REDACTED]. Where our Directors consider appropriate and necessary, we may raise additional funds and/or external financing on terms that are acceptable to us.

WORKING CAPITAL

Taking into account the financial resources available to our Group, including (i) the internal resources; (ii) existing banks and other borrowings facilities; and (iii) the estimated net [REDACTED] from the [REDACTED] (after a possible [REDACTED] setting the final [REDACTED] up to 10% below the bottom end of the indicative [REDACTED] range), our Directors are of the view that our Group has available sufficient working capital for our present requirements for at least the next 12 months commencing from the date of this document.

OFF-BALANCE SHEET ITEMS, COMMITMENTS AND ARRANGEMENTS

As at 31 December 2016, 2017 and 2018 and 31 May 2019, we had capital commitments contracted but not provided for of approximately RMB2.5 million, RMB11.2 million, RMB5.1 million and RMB0.9 million, respectively.

Except for the above capital commitments, our Group has not entered into any material off-balance sheet commitments or arrangements during the Track Record Period and up the Latest Practicable Date.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Our Company was incorporated on 5 February 2019 and is an investment holding company. There were no reserve available for distribution to Shareholders as at the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group had certain related party transactions in relation to the recurring transactions and non-recurring transactions.

For the recurrent related party transactions, they included (i) purchases of materials; (ii) provision of construction services; (iii) rental expenses paid/payable for short-term lease of factory and office building; and (iv) utilities paid/payable.

For the non-recurrent related party transactions, they comprised of (i) purchase of labour service; (ii) revenue received/receivable from leasing of construction machinery, equipment and tools; (iii) commercial bills endorsed; (iv) advances from/repayments to related parties; and (v) repayment from a related party.

These related party transactions were conducted in accordance with terms as agreed between our Group and the respective related parties. Our Directors have confirmed that (i) all related party transactions during the Track Record Period were conducted on arm’s length basis and normal commercial terms which were no less favorable to our Group than available to or from independent third parties and thus, are in the interest of our Group as a whole; (ii) these related party transactions would not distort our Group’s results of operations for the Track Record Period or make our Group’s historical results not reflective of our Group’s future; (iii) except for the connected transactions as disclosed in “Connected transactions”, all the other related party transactions will discontinue upon the [REDACTED]; and (iv) all the non-trade balances with the related parties will be settled before the [REDACTED].

For further details on the material related party transactions and balances, please see “note 28 Material related party transactions” of the Accountants’ Report in Appendix I to this document.

FINANCIAL RISK MANAGEMENT

Capital management

Our Group’s primary objectives when managing capital are to safeguard our Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Our Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders’ returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

FINANCIAL INFORMATION

Our Group monitors the capital structure on the basis of an adjusted net debt-to-equity ratio. For this purpose, net debt is defined as total debt (which includes loans and borrowings and payables for acquisition of equipment by instalments) less cash and cash equivalents.

In this regard, our adjusted net debt-to-equity ratio as at 31 December 2016, 2017 and 2018 and 31 May 2019 were approximate 75.2%, 58.7%, 14.6% and 23.9%, respectively. For further details of the calculation for the ratio, please see “note 25 Capital, reserves and dividends – (e) Capital management” of the Accountants’ Report in Appendix I to this document.

For our analyses of the adjusted net debt-to-equity ratio, please see the paragraphs below headed “Key financial ratios — Net debt-to-equity ratio, adjusted” of this section for further details.

Financial risk management and fair value

During the normal course of our Group’s business, we exposed to credit, liquidity, interest currency and fair value risks.

Our credit risk is primarily attributable to trade receivables, bills receivable and contract assets.

We manage our liquidity risk by monitoring our liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Our interest rate risk arise primarily from the bank loans, lease liabilities, payables for acquisition of equipment by instalments and obligations arising from sale and leaseback transactions. Borrowings issued at variable rates and fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk respectively.

We had no significant foreign exchange exposure as substantially all of our transactions are denominated in RMB.

The carrying amounts of our financial instruments are carried at amounts not materially different from the fair values as at the end of each of Track Record Period.

For further details of our financial risk management and fair value, please see “note 26 Financial risk management and fair values” of the Accountants’ Report in Appendix I to this document.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF TRACK RECORD PERIOD

Please see the section headed “Unaudited pro forma financial information” in Appendix II to this document.

[REDACTED]

The total estimated **[REDACTED]** in connection with the **[REDACTED]** are approximately HK\$**[REDACTED]** million (based on the mid-point of the **[REDACTED]** of HK\$**[REDACTED]** per **[REDACTED]**), of which (i) approximately HK\$0.3 million and HK\$5.7 million had been charged to our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018 and the five months ended 31 May 2019, respectively; (ii) approximately HK\$**[REDACTED]** million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the seven months ending 31 December 2019; and (iii) the remaining amount of approximately HK\$18.6 million is expected to be accounted for as a deduction from equity upon the **[REDACTED]**. Our Directors consider that our financial results will be affected by the expenses in relation to the **[REDACTED]** as we expect to recognise approximately HK\$**[REDACTED]** million in the consolidated statements of profit and loss and total comprehensive income for the seven months ending 31 December 2019. Accordingly, the financial performance for the seven months ending 31 December 2019 is expected to be adversely affected by the estimated expenses in relation to the **[REDACTED]**.

DIVIDEND POLICY

There was no dividend declared during the Track Record Period and up to the Latest Practicable Date. We may declare dividends in the future after taking into account the results of operations, earnings, capital requirements, general financial condition, and other factors as our Directors may deem relevant at such time. The declaration of dividends is subject to the discretion of our Directors and the approval of our Shareholders (except for interim dividends) as may be necessary. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of our Company and the Companies Law.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosures requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the sub-section headed “Recent Development and No Material Adverse Change” and “[REDACTED]” under the section headed “Summary” of this document, our Directors confirm that after the Track Record Period and up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there is no event since 31 May 2019 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

KEY FINANCIAL RATIOS

The table below sets forth our selected key financial ratios during and as at the end of each of the Track Record Period:

	Notes	Year ended 31 December			Five months ended 31 May
		2016	2017	2018	2019
		Return on total assets	1	5.4%	8.8%
Return on equity	2	30.6%	21.6%	25.2%	22.8%
Net profit margin	3	10.8%	13.5%	11.8%	11.0%
Interest coverage	4	26.2 times	17.5 times	20.4 times	16.7 times

	Notes	As at 31 December			As at 31 May
		2016	2017	2018	2019
		Current ratio	5	0.4 times	0.8 times
Gearing ratio, adjusted	6	213.8%	60.0%	34.0%	25.4%
Net debt-to-equity ratio, adjusted	7	207.0%	59.3%	17.1%	24.5%

Notes:

- Return on total assets is calculated by dividing profit for the respective year/period with total assets as at the end of the respective year/period multiplied by 100%. Profit for the period is adjusted on an annualised basis.
- Return on equity is calculated by dividing profit for the respective year/period with total equity as at the end of the respective year/period multiplied by 100%. Profit for the period is adjusted on an annualised basis.
- Net profit margin is calculated by dividing profit for the year/period with revenue for the respective year/period multiplied by 100%.
- Interest coverage is calculated by dividing profit before finance costs and income tax with finance costs for the respective year/period.
- Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year/period.
- Gearing ratio is an adjusted debt-to-equity ratio which is calculated by dividing adjusted total debt (representing total debt which include loans and borrowings and non-trade related amounts due to related parties, adjusted to include payables for acquisition of equipment by instalments) with total equity as at the end of the respective year/period multiplied by 100%.
- Net-debt-to equity ratio is an adjusted ratio calculated by dividing adjusted net debt (representing total debt which include loans and borrowings and non-trade related amounts due to related parties, adjusted to include payables for acquisition of equipment by instalments less cash and cash equivalents) with total equity as at the end of the respective year/period multiplied by 100%.

FINANCIAL INFORMATION

Return on total assets

For the year ended 31 December 2017, return on total assets increased from approximately 5.4% for the year ended 31 December 2016 to 8.8%. This was mainly due to the outstanding performance of the net profit for the year ended 31 December 2017 which increased by approximately 299.4% comparing with that for the previous year. Total assets increased as well by 145.2%. Among the increase in the total assets, property, plant and equipment increased by approximately 95.1% which were mainly machinery and equipment and tools directly utilised in our construction works projects. This directly expanded our capacity to take up construction works projects and in turn, led to the increase in our profitability and resulted the increase in the return on total assets ratio for the year.

For the year ended 31 December 2018, the ratio further increased to approximately 11.3%. Our net profit further increased by approximately 108.0%. Total assets continued to increase at a slower pace of approximately 61.4%. Through our further additions to our machinery, equipment and tools to support our ability to take up more construction works projects, we were rewarded with higher profit for the year. This showed that our capital expenditure on the fixed assets were rewardable, reflected by an increase in the return on total assets ratio for the year.

For the five months ended 31 May 2019, the ratio increased slightly to approximately 11.5%. Comparing to the previous year, our annualised net profit increased by a comparatively flat percentage of approximately 15.5% which was more comparable to the increase in the total assets percentage of approximately 13.7%.

Return on equity

For the year ended 31 December 2017, return on equity decreased from approximately 30.6% for the year ended 31 December 2016 to 21.6%. Although our net profit increased by approximately 299.4%, our equity increased in an even higher rate of approximately 465.4%. The capital injections from equity shareholders in 2017 was RMB190 million. According to an announcement published on NEEQ in September 2017, approximately 82.3% of the capital injected amount would be used for repayments to related parties and the remaining approximately 17.7% only would be used for the operating working capital. As only a limited proportion of the injected capital was used to finance the working capital which was a driver for our profit, the return on equity ratio decreased for the year.

For the year ended 31 December 2018, return on equity increased to approximately 25.2%. Our net profit increased by approximately 108.0% whereas our equity increased by approximately 78.0%. The percentage increase in net profit exceeded that for the equity and resulted in the increase in the ratio. Benefiting from the equity accumulated from our operation in the previous years and the new capital injections, we established a good foundation for the business to grow, especially, that our net working capital turned to positive position in the year which coupled with the robust fixed asset base, fueled our net profit growth in the year.

For the five months ended 31 May 2019, return on equity was approximately 22.8% which was comparable to that of approximately 25.2% for the year ended 31 December 2018.

FINANCIAL INFORMATION

Net profit margin

Our net profit margin ran within a comparatively stable narrow range from approximately 10.8% to 13.5% during the Track Record Period. During the year ended 31 December 2017, the net profit margin recorded at its highest level at approximately 13.5%, which was mainly due to the highest gross profit margin recorded for the same year. Such high gross profit margin was in turn mainly due to the high gross profit margin of our foundation works business. For the reasons of the higher gross profit margin for this sub-segment, please refer to the above paragraphs headed “Principal components of results of operations – Gross profit and gross profit margin” of this section for more information.

Interest coverage

Although our interest coverage fluctuated at a comparatively wider range of approximately from 16.7 times to 26.2 times during the Track Record Period without an apparent single trend, our profit from operation (i.e. profit before finance costs and income tax) had covered well for our finance costs.

During the year ended 31 December 2017, our interest coverage decreased from approximately 26.2 times for the year ended 31 December 2016 to 17.5 times. During the year, our profit from operation increased by approximately 302.9%. On the other hand, our finance costs took a much more aggressive growth rate at approximately 504.3% which resulted the decrease in the coverage ratio. The increase in finance costs was in line with the surge in the balance of the loans and borrowings as at 31 December 2017 comparing to that as at 31 December 2016.

During the year ended 31 December 2018, our interest coverage increased from approximately 17.5 times for the year ended 31 December 2017 to 20.4 times. During the year, our profit from operation increased by approximately 95.9% whereas our finance costs only increased by approximately 67.7% which caused the interest coverage fluctuation.

During the five months ended 31 May 2019, our interest coverage decreased from approximately 20.4 times for the year ended 31 December 2018 to 16.7 times. During the period, our profit from operation for the five months ended 31 May 2019 decreased by approximately 47.3% comparing with that for the year ended 31 December 2018 whereas our finance costs with the same basis only decreased by approximately 35.8% which caused the interest coverage fluctuation.

Current ratio

Our current ratio was less than one as at 31 December 2016 and 2017 which indicated that our current assets was less than current liabilities and was at the net current liabilities position as at the end of each of the first two years of the Track Record Period. As at 31 December 2018 and 31 May 2019, our current ratio turnaround to more than one meaning that, our current assets could cover well above our current liabilities and that we had the net current assets position. For reasons on the above trend and their underlying implications, please refer to the above paragraphs headed “Net current (liabilities)/assets” of this section.

FINANCIAL INFORMATION

Gearing ratio, adjusted

We monitored our capital structure on the basis of an adjusted debt-to-equity ratio. For this purpose, adjusted debt is defined as adjusted total debt (which represents loans and borrowings and non-trade related amounts due to related parties, adjusted to include payable for acquisition of equipment by instalments).

To align with such capital structure monitoring basis, our gearing ratio is an adjusted debt-to-equity ratio which is calculated by dividing adjusted total debt (representing total debt which includes loans and borrowings and non-trade related amounts due to related parties, adjusted to include payables for acquisition of equipment by instalments) with total equity as at the end of the respective year/period multiplied by 100%.

Over the Track Record Period, our adjusted debt-to-equity ratio kept sliding down from a relative high level of approximately 213.8% as at 31 December 2016 to 25.4% as at 31 May 2019. This was mainly due to (i) that our equity increased substantially year by year as a results of numerous capital injections from equity shareholders of RMB20 million, RMB190 million, RMB103.6 million and approximately RMB92.0 million for the year ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, respectively; and (ii) our retained profit also substantially increased due to the profit contributions over the Track Record Period from the profitable business. Contrary to this, our adjusted total debts only increased at a relatively mild pace or even decreased. These explained the downward trend of the ratio.

Net debt-to-equity ratio, adjusted

For the year ended 31 December 2016, 2017 and 2018, our net debt-to-equity, adjusted ratio was trending down from approximately 207.0% as at 31 December 2016 to 17.1% as at 31 December 2018. This was in the same trend as the gearing, adjusted ratio, in particular, as at 31 December 2017, the net debt-to equity, adjusted ratio of approximately 59.3% was comparable to the gearing, adjusted ratio of approximately 60.0%.

As at 31 December 2018, the net debt-to-equity, adjusted ratio further decreased abruptly from approximately 59.3% as at 31 December 2017 to 17.1%. This was mainly due to the substantial cash and cash equivalents balance of approximately RMB93.7 million as at 31 December 2018 resulted from the capital injection of RMB103.6 million near the year end in December 2018.

As at 31 May 2019, the net debt-to-equity, adjusted ratio increased from approximately 17.1% as at 31 December 2018 to 24.5%. Following our utilisation of the balance of cash and cash equivalents as at 31 December 2018 during the period, the cash and cash equivalent as at 31 May 2019 decreased substantially and thus, the adjusted net debt balance increased by approximately 83.1%. Although there was another amount of approximately RMB92.0 million new capital injection in January 2019 and the profit contribution for the five months ended 31 May 2019, topped on an already sizeable equity base accumulated from the previous years' capital injections and profit contributions, this increased the equity by only approximately 27.9%. With the percentage increase for the adjusted net debt balance exceeding the percentage increase for the equity, the net debt-to-equity ratio increase accordingly.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please see “Business – Business Strategies” for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive net [REDACTED] of HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) from the [REDACTED], after deducting the [REDACTED] commissions and other estimated expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range. We intend to use such net [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED], or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of the net [REDACTED] from the [REDACTED] will be used to fund our capital needs and cash flow under our upcoming projects. The details of our expected projects are as follows:

	Project code	Location	Type of construction works	Commencement date/expected project commencement date	Total contract sum
					<i>RMB million</i>
1.	BM001230	Fujian Province	Foundation works/ Formwork and scaffolding works	December2018	207.8
2.	BM001337	Gansu Province	Foundation works	June2019	183.5
3.	BM001278/ BM001282/ BM001286/ BM001297/ BM001299	Fujian Province	Formwork and scaffolding works/ E&M engineering work/ lease of construction machinery	March2019	97.5
4.	BM001308	Guangdong Province	Foundation works	September2019	21.9
5.	BM001575	Guangdong Province	Foundation works/ lease of construction machinery	January2020	13.4

FUTURE PLANS AND [REDACTED]

	Project code	Location	Type of construction works	Commencement date/expected project commencement date	Total contract sum
					<i>RMB million</i>
6.	BM001603-BM001614	Gansu Province	Foundation works/ Formwork and scaffolding works/ E&M engineering works	March2020	235.4
7.	BM000920	Guangdong Province	Foundation works	March2020	45.7
8.	BM001275	Shanghai City	Foundation works	March2020	126.6
9.	BM001268/ BM001345/ BM001590	Fujian Province	Foundation works	April2019	60.0
10.	BM001602	Fujian Province	Foundation works	March2020	12.1
11.	BM001601	Jiangxi Province	Foundation works	March2020	10.7
12.	BM001334	Gansu Province	Foundation works	June2020	21.9

FUTURE PLANS AND [REDACTED]

As supported by the F&S Report, the construction industry, including foundation works, in the PRC is considered to be a capital intensive industry because a sufficient amount of cash reserve is required for the early stage of construction works as the payment of the construction project is divided into multiple settlements and payment is only made according to the work progress. Such progress payment mechanism had created cash flow mismatch to our Group, the projected amount of which is set forth in the table below:

	<u>Project code</u>	<u>2020 1Q</u>	<u>2020 2Q</u>	<u>2020 3Q</u>	<u>Total</u>
		<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
1.	BM001230	7,000	–	–	7,000
2.	BM001337	6,000	20,400	–	26,400
	BM001278/ BM001282/ BM001286/ BM001297/				
3.	BM001299	5,000	10,000	–	15,000
4.	BM001308	3,000	3,000	–	6,000
5.	BM001575	5,000	–	–	5,000
6.	BM001603-BM001614	8,000	23,500	–	31,500
7.	BM000920	6,000	8,000	–	14,000
8.	BM001275	10,000	–	–	10,000
	BM001268/ BM001345/				
9.	BM001590	1,100	600	–	1,700
10.	BM001602	2,000	2,000	–	4,000
11.	BM001601	1,000	2,000	–	3,000
12.	BM001334	–	–	1,800	1,800
	Total	54,100	69,500	1,800	[REDACTED]

Note:

The cashflow mismatch requirement is based on the, among other things (i) project schedule; (ii) potential additional work load based on difference of contract value and final settlements of historical projects with similar size; (iii) payment terms of relevant contracts; and (iv) payment schedule to our suppliers and subcontractors.

FUTURE PLANS AND [REDACTED]

- approximately [REDACTED], or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), of the net [REDACTED] from the [REDACTED] will be used to finance part of our acquisition costs of our additional construction machinery, equipment and tools. The numbers of additional construction machinery, equipment and tools we intend to acquire and the respective costs are as follows:

Type of machinery	Six months ending 30 June 2020	Six months ending 31 December 2020	Total	Amount
				<i>RMB'000</i>
Tower crane QTZ160(TC6015-10)	7	–	7	5,600
Tower crane QTZ100(TC6012F-6)	9	–	9	4,860
Passage hoist SC200/200B	15	–	15	4,800
Full steel profile attached construction scaffold	114	171	285	9,960
Smart mast climber construction works platform	–	80	80	10,580
			Total	[REDACTED]

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

If the [REDACTED] is fixed at HK\$[REDACTED] per Share, being the high-end of the indicative [REDACTED] range, we will receive additional net [REDACTED] of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million). If the [REDACTED] is fixed at HK\$[REDACTED] per Share, being the low-end of the indicative [REDACTED] range, the net [REDACTED] we receive will be reduced by approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million). If we make a [REDACTED] to set the final [REDACTED] at HK\$[REDACTED] per [REDACTED], the estimated net [REDACTED] we will receive from the [REDACTED] will be further reduced by an additional amount of approximately HK\$[REDACTED] million (equivalent to approximately [REDACTED] million). In such events, we intend to apply the additional amounts to, or reduce the amounts allocated to the above uses on a pro rata basis.

To the extent that the net [REDACTED] from the [REDACTED] are either more or less than expected, we may adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

To the extent that the net [REDACTED] from the [REDACTED] are not immediately applied to the above purposes, we intend to deposit such net [REDACTED] into short-term interest-bearing accounts, such as bank deposits or money market funds with licensed banks or other financial institutions.

FUTURE PLANS AND [REDACTED]

REASONS FOR THE [REDACTED]

The followings are our main purposes for seeking the [REDACTED]:

- [REDACTED] provides our Group with additional access of equity funding by means of the issuance of new Shares. Our Directors believe that a combination of equity financing, debt financing and internal resources will provide a suitable capital structure to support the long term growth of our Group. Our operating cash flow mainly comprised of cash received from our customers net of operating expenses paid. During the year ended 31 December 2018, our Group’s net operating cash flow from operations amounted to approximately RMB67.8 million. As at 31 May 2019, our cash and cash equivalent was RMB6.5 million. As such, we believe that our cash and cash equivalent is not sufficient to support our future expansion plans as detailed in “Business Strategies”. Despite the cost of equity funding by way of the [REDACTED] [REDACTED] after taking into account the [REDACTED] expenses might not be lower than debt financing, our Directors considered that:
 - i. the [REDACTED] will broaden our Group capital base and provide a platform for our Group to raise fund, on a recurring basis which is not limited to the amount of net [REDACTED] to be raised in the [REDACTED], to finance our future business expansion and long-term development;
 - ii. equity financing is a more feasible fund raising method than debt financing to finance the long term future plans of our Group because financial institutions might request a significant amount of deposits, securities and properties to be pledged as a condition for obtaining debt financing. We may be subject to various covenants contained in relevant debt instruments that may restrict us from obtaining additional financing, conducting our business activities and distributing dividends;
 - iii. interest expenses will be incurred when our Group pursues debt financing exercise which will affect our financial performance. During the Track Record Period, our interest expenses increased from RMB0.9 million for the year ended 31 December 2016 to RMB5.4 million for the year ended 31 December 2018 and to RMB9.1 million for the five months ended 31 May 2019 mainly due to the increase in bank borrowings to support our business growth; and

FUTURE PLANS AND [REDACTED]

- iv. the use of equity financing to finance our long term expansion plan would be a better alternative than debt financing to optimise our long term capital structure. During the Track Record Period, our loans and borrowings increased from RMB14.8 million as at 31 December 2018 to RMB140.7 million as at 31 May 2019. As our debt level increases, the cash outflow to repay principal and interest, and in turns the risk of bankruptcy will increase, leading to increasing implicit cost of financing from debt financing. As such, financial institutions will require higher interest rate for any new debt sought by our Group. As a result, the overall cost of debt, and in turns the average cost of capital of our Group will increase. Accordingly, despite none of our currently available cash on hand and unutilised banking facilities are restricted in their usage or have been earmarked for designated purpose, we do not intend to use our unutilised banking facilities to finance our expansion plans in light of our existing gearing ratio;
- providing a platform for our Group to access the capital markets for future secondary fund-raising through either (i) the issuance of shares or (ii) for debt securities, depending on the prevailing market condition at the time of capital needs. It can also provide additional funding sources to cater for our Group’s further expansion plans (other than those future plans stated in this document) and when opportunities arise. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity and our Directors believe that a [REDACTED] status will allow us to gain leverage in obtaining bank financing with relatively more favourable terms in the PRC and Hong Kong, in which the latter in general has a lower interest rate than in the PRC;
 - broadening our shareholder base and enhancing the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the [REDACTED];
 - by way of the [REDACTED], we can elevate our corporate image and status and provide reassurance and confidence to our clients and suppliers, which in turn provides a stronger bargaining position when exploring new business opportunities with our clients and suppliers; and
 - enhancing employee incentive and commitment. As a construction services provider, experienced and quality staff are vital to our business operations and future development, being a listed company can help to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive. To this end, we have also put in place the Share Option Scheme for our employees in order to attract and retain talents. See “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this document for a summary of principal terms of the scheme.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

INDEPENDENCE OF SOLE SPONSOR

VMS satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

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HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-68, received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANZHONG CONSTRUCTION TECHNOLOGY LIMITED AND VMS SECURITIES LIMITED

Introduction

We report on the historical financial information of Jianzhong Construction Technology Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-68, which comprises the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 31 May 2019 and the statement of financial position of the Company as at 31 May 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 (the “**Relevant Periods**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-68 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “**Document**”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s financial position as at 31 May 2019 and the Group’s financial position as at 31 December 2016, 2017 and 2018 and 31 May 2019 and of the Group’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended 31 May 2018 and other explanatory information (the “**Stub Period Corresponding Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 25(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No statutory historical financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

[•]

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

[Date]

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HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					(unaudited)	
Revenue	4	156,754	498,857	1,192,750	404,968	611,877
Cost of sales		(118,618)	(368,999)	(907,228)	(306,692)	(472,862)
Gross profit		38,136	129,858	285,522	98,276	139,015
Other net income	5	336	812	1,762	101	2,256
Administrative expenses		(12,441)	(25,655)	(80,820)	(33,140)	(36,258)
Other operating expenses		(2,455)	(10,016)	(20,362)	(9,125)	(7,025)
Profit from operations		23,576	94,999	186,102	56,112	97,988
Finance costs	6(a)	(900)	(5,439)	(9,121)	(3,149)	(5,856)
Profit before taxation		22,676	89,560	176,981	52,963	92,132
Income tax	7(a)	(5,764)	(22,011)	(36,487)	(13,942)	(24,522)
Profit and total comprehensive income for the year/period		16,912	67,549	140,494	39,021	67,610

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As at 31 December			As at 31 May
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	11	209,577	408,801	423,285	426,423
Intangible assets	12	26	570	793	781
Receivables under service concession arrangement	17	–	–	36,753	35,183
Deferred tax assets	23(b)	1,871	8,735	1,632	10,146
Other non-current assets	13	11,975	14,229	14,548	14,985
		<u>223,449</u>	<u>432,335</u>	<u>477,011</u>	<u>487,518</u>
Current assets					
Inventories	14	18,472	29,828	42,579	27,443
Contract assets	15	14,972	140,032	254,842	370,316
Trade and other receivables	16	47,423	163,053	365,290	498,379
Receivables under service concession arrangement	17	–	–	9,249	12,332
Restricted bank balances	18	6,559	4,238	2,235	13,089
Cash and cash equivalents	19	3,751	2,009	93,772	6,508
		<u>91,177</u>	<u>339,160</u>	<u>767,967</u>	<u>928,067</u>
Current liabilities					
Trade and other payables	20	222,119	273,102	498,601	478,526
Contract liabilities	15	–	167	5,123	1,252
Loans and borrowings	21	14,782	104,051	134,778	139,036
Current taxation	23(a)	7,252	27,496	38,401	69,513
		<u>244,153</u>	<u>404,816</u>	<u>676,903</u>	<u>688,327</u>
Net current (liabilities)/assets		<u>(152,976)</u>	<u>(65,656)</u>	<u>91,064</u>	<u>239,740</u>
Total assets less current liabilities		<u>70,473</u>	<u>366,679</u>	<u>568,075</u>	<u>727,258</u>
Non-current liabilities					
Loans and borrowings	21	–	36,828	5,627	1,671
Other non-current liabilities	24	15,128	16,957	5,460	13,089
		<u>15,128</u>	<u>53,785</u>	<u>11,087</u>	<u>14,760</u>
NET ASSETS		<u>55,345</u>	<u>312,894</u>	<u>556,988</u>	<u>712,498</u>
CAPITAL AND RESERVES					
Share capital	25(b)	35,000	111,000	148,000	–*
Reserves		20,345	201,894	408,988	712,498
TOTAL EQUITY		<u>55,345</u>	<u>312,894</u>	<u>556,988</u>	<u>712,498</u>

* The balances represent amounts less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

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ACCOUNTANTS’ REPORT

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	<i>Note</i>	<u>As at 31 May 2019</u>
		<i>RMB'000</i>
Non-current asset		
Investment in a subsidiary	1	—*
		—*

Current asset		
Prepayment and other receivables		1,758
		1,758

Current liability		
Amounts due to a subsidiary		1,758
		1,758

Net current asset		-----
NET ASSET		—*
		=====
CAPITAL AND RESERVES		
Share capital	25(b)	—*
Retained earnings		—
TOTAL EQUITY		—*
		=====

* *The balances represent amounts less than RMB1,000.*

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company						Total
		Share capital	Capital reserve	Statutory reserve	Special reserve	Other reserve	Retained profits	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2016		15,000	–	267	–	–	2,851	18,118
Changes in equity for 2016:								
Profit and total comprehensive income for the year		–	–	–	–	–	16,912	16,912
Equity-settled share based transactions	25(c)(i)	–	315	–	–	–	–	315
Capital injection from equity shareholders	25(c)(i)	20,000	–	–	–	–	–	20,000
Appropriation to statutory reserve	25(c)(ii)	–	–	1,695	–	–	(1,695)	–
Transfer to special reserve	25(c)(iii)	–	–	–	438	–	(438)	–
Capitalisation of retained profits and statutory reserve	25(c)(i)	–	3,910	(267)	–	–	(3,643)	–
Balance at 31 December 2016 and 1 January 2017		35,000	4,225	1,695	438	–	13,987	55,345
Changes in equity for 2017:								
Profit and total comprehensive income for the year		–	–	–	–	–	67,549	67,549
Appropriation to statutory reserve	25(c)(ii)	–	–	7,857	–	–	(7,857)	–
Transfer to special reserve	25(c)(iii)	–	–	–	861	–	(861)	–
Capital injection from equity shareholders	25(c)(i)	76,000	114,000	–	–	–	–	190,000
Balance at 31 December 2017 and 1 January 2018		111,000	118,225	9,552	1,299	–	72,818	312,894
Changes in equity for 2018:								
Profit and total comprehensive income for the year		–	–	–	–	–	140,494	140,494
Appropriation to statutory reserve	25(c)(ii)	–	–	14,216	–	–	(14,216)	–
Transfer to special reserve	25(c)(iii)	–	–	–	5,604	–	(5,604)	–
Capital injection from equity shareholders	25(c)(i)	37,000	66,600	–	–	–	–	103,600
Balance at 31 December 2018		148,000	184,825	23,768	6,903	–	193,492	556,988

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ACCOUNTANTS’ REPORT

	Note	Attributable to equity shareholders of the Company						Total
		Share capital	Capital reserve	Statutory reserve	Special reserve	Other reserve	Retained profits	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Unaudited)								
Balance at 1 January 2018		111,000	118,225	9,552	1,299	–	72,818	312,894
Changes in equity for the five months ended 31 May 2018:								
Profit and total comprehensive income for the period		–	–	–	–	–	39,021	39,021
Transfer to special reserve	25(c)(iii)	–	–	–	2,074	–	(2,074)	–
Balance at 31 May 2018		<u>111,000</u>	<u>118,225</u>	<u>9,552</u>	<u>3,373</u>	<u>–</u>	<u>109,765</u>	<u>351,915</u>
Balance at 1 January 2019		148,000	184,825	23,768	6,903	–	193,492	556,988
Changes in equity for the five months ended 31 May 2019:								
Profit and total comprehensive income for the period		–	–	–	–	–	67,610	67,610
Transfer to special reserve	25(c)(iii)	–	–	–	1,721	–	(1,721)	–
Capital injection from equity shareholders	25(c)(i)	20,450	71,575	–	–	–	–	92,025
Issuance of new shares	25(c)(i)	–*	–	–	–	–	–	–*
Elimination of capital upon Reorganisation	25(c)(iv)	(168,450)	–	–	–	164,325	–	(4,125)
Balance at 31 May 2019		<u>–*</u>	<u>256,400</u>	<u>23,768</u>	<u>8,624</u>	<u>164,325</u>	<u>259,381</u>	<u>712,498</u>

* The balances represent amounts less than RMB 1,000.

The accompanying notes form part of the Historical Financial Information.

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ACCOUNTANTS’ REPORT

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

	Note	Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities						
Cash generated from/(used in)						
operations	19(b)	61,678	14,219	86,317	(18,758)	(83,009)
Income tax paid		(1,309)	(8,631)	(18,479)	(808)	(1,924)
Net cash generated from/(used in)						
operating activities		60,369	5,588	67,838	(19,566)	(84,933)
Investing activities						
Payment for purchase of property, plant and equipment		(82,126)	(200,734)	(90,666)	(41,151)	(62,175)
Proceeds from disposal of property, plant and equipment		99	–	800	–	2,825
Payment for purchase of intangible assets		–	(579)	(240)	(30)	–
Payment for acquisition of wealth management products		–	(550)	–	–	–
Proceeds from the disposal of wealth management products		–	550	–	–	–
Repayments from a related party		1,458	–	–	–	–
Net cash used in investing activities		(80,569)	(201,313)	(90,106)	(41,181)	(59,350)

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ACCOUNTANTS’ REPORT

	Note	Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financing activities						
Proceeds from bank loans	19(c)	51,251	144,187	220,834	29,621	25,000
Repayments of bank loans	19(c)	(51,679)	(48,000)	(207,270)	(220)	(20,317)
Interests paid on bank loans	19(c)	(799)	(1,716)	(4,366)	(1,249)	(3,822)
Payments of lease liabilities	19(c)	(771)	(2,003)	(715)	(86)	(134)
Interest element of lease liabilities	19(c)	(110)	(135)	(149)	(63)	(17)
Payment for acquisition of equipment by instalments	19(c)	(5,770)	(25,133)	(18,843)	(6,857)	(16,895)
Interests paid on acquisition of equipment by instalments	19(c)	–	(2,134)	(2,669)	(1,015)	(980)
Proceeds from borrowings under sale and leaseback transactions	19(c)	–	9,945	–	–	–
Payments for capital element of obligations arising from sale and leaseback transactions	19(c)	–	(4,726)	(9,285)	(4,190)	(4,247)
Interest element of obligations arising from sale and leaseback transactions	19(c)	–	(1,228)	(1,900)	(890)	(499)
Capital injections from equity shareholders		20,000	190,000	103,600	–	92,025
Payment of [REDACTED] expenses				[REDACTED]		
Advances from related parties	19(c)	251,652	245,811	261,664	86,064	25,252
Repayments to related parties	19(c)	(239,300)	(317,385)	(220,257)	(39,000)	(37,400)
Proceeds from other borrowings	19(c)	–	9,500	–	–	–
Repayments of other borrowings	19(c)	(1,000)	(3,000)	(6,500)	(2,200)	–
Net cash generated from financing activities		23,474	193,983	114,031	59,915	57,019
Net increase/ (decrease) in cash and cash equivalents		3,274	(1,742)	91,763	(832)	(87,264)
Cash and cash equivalents at the beginning of the year/period	19(a)	477	3,751	2,009	2,009	93,772
Cash and cash equivalents at the end of the year/period	19(a)	3,751	2,009	93,772	1,177	6,508

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Basis of preparation and presentation of Historical Financial Information

Jianzhong Construction Technology Limited (the “**Company**”) (formerly known as Jianzhong Technology Development Limited) was incorporated in the Cayman Islands on 5 February 2019 as an exempted company with limited liability under the Cayman Islands Companies Law CAP. 22.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation (“**Reorganisation**”) mentioned below. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of construction services, leasing of construction machinery, equipment and tools, and provision of sewage treatment service in mainland China.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Fujian Jianzhong Construction Technology Co., Ltd. (“**Jianzhong Construction Technology**”) and its subsidiaries. To rationalise the corporate structure in preparation of the [REDACTED] of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Group underwent the Reorganisation, as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Document. Upon completion of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

As Jianzhong Construction Technology was controlled by Mr. Xun Minghong (the “**Controlling Shareholder**”) before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting companies with no substantive operations as the holding companies of Jianzhong Construction Technology. The Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Jianzhong Construction Technology with the assets and liabilities of Jianzhong Construction Technology recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, Jianzhong Holdings Limited (“**Jianzhong Holdings BVI**”), and Jianzhong Holdings (Hong Kong) Limited (“**Jianzhong Holdings (Hong Kong)**”) as they were either newly incorporated in 2019 or have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

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Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company Name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest		Principal activities	Audited financial period ended	Name of statutory auditor
			Held by the Company	Held by the subsidiary			
Directly held							
Jianzhong Holdings BVI	British Virgin Island (“BVI”) / 18 February 2019	US\$1 / US\$1	100%	–	Investment holding	N/A	N/A
Indirectly held							
Jianzhong Holdings (Hong Kong)	Hong Kong / 25 February 2019	HK\$1 / HK\$1	–	100%	Investment holding	N/A	N/A
Fujian Jianzhong Corporate Management Co., Ltd. (“Jianzhong WOFE”) (福建省建中企業管理有限公司) ^{1 5}	The People’s Republic of China (the “PRC”) / 22 March 2019	HK\$ Nil / HK\$60,000,000	–	100%	Investment holding	N/A	N/A
Fujian Jianzhong Investment Consultancy Co., Ltd. (“Jianzhong Investment Consultancy”) (福建省建中投資諮詢有限公司) ¹	PRC / 1 April 2019	RMB Nil / RMB10,101,000	–	100%	Investment holding	N/A	N/A
Jianzhong Construction Technology (福建省建中建設科技有限責任公司) ^{1 2}	PRC / 5 December 2012	RMB168,450,000 / RMB168,450,000	–	100%	Provision of construction services	31 December 2016 and 2017 31 December 2018	Grant Thornton LLP Fuzhou Branch (“Grant Thornton”) (致同會計師事務所(特殊普通合伙)福州分所) Fujian Anxin Certified Public Accountants Co., Ltd* (“Fujian Anxin”) (福建安信有限責任會計師事務所)
Jianzhong Technology (Pingtan) Co., Ltd. (建中科技(平潭)有限公司) ^{1 3}	PRC / 7 August 2017	RMB410,000 / RMB15,000,000	–	100%	Business not yet commenced	31 December 2017 and 2018	Fujian Anxin
Fujian Jianzhong Engineering Equipment Co., Ltd. (福建省建中工程設備有限公司) ^{1 3}	PRC / 27 October 2017	RMB30,000,000 / RMB30,000,000	–	100%	Production, sale, installation and leasing of construction machinery, equipment and tools and construction material	31 December 2017 and 2018	Fujian Anxin
Fujian Jianzhong Logistic Co., Ltd. (福建省建中物流有限公司) ^{1 3}	PRC / 24 January 2017	RMB25,350,330 / RMB50,000,000	–	100%	Provision of goods transportation services	31 December 2017 and 2018	Fujian Anxin
Fujian Jianzhong Environmental Technology Co., Ltd. (福建省建中環保科技有限公司) ^{1 4}	PRC / 18 January 2018	RMB50,000,000 / RMB50,000,000	–	100%	Sewage treatment operations	31 December 2018	Fujian Anxin
Anhui Jianrun New Buildings Materials Co., Ltd. (安徽省建潤新型建材有限公司) ^{1 4}	PRC / 15 May 2018	RMB3,500 / RMB35,000,000	–	100%	Business not yet commenced	31 December 2018	Fujian Anxin
Guangdong Haizhijian Engineering Technology Co., Ltd. (廣東海之建工程科技有限公司) ¹	PRC / 7 January 2019	RMB400,000 / RMB30,000,000	–	100%	Business not yet commenced	N/A	N/A

Notes:

1. The official names of the entities are in Chinese. The English names are for identification purpose only.
2. The entity was previously known as 福建建中建設科技股份有限公司, and on 25 February 2019, the entity was converted into a limited liability company and changed its name to 福建建中建設科技有限責任公司. The statutory financial statements of the entity for the years ended 31 December 2016, 2017, 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.
3. The statutory financial statements of these entities for the years ended 31 December 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.
4. The statutory financial statements of these entities for the year ended 31 December 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.
5. This entity was registered as a wholly foreign-owned enterprise under the PRC Law.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing and presenting the Historical Financial Information, the Company has consistently applied all applicable new and revised HKFRSs, which are effective for the accounting period beginning on 1 January 2019, including HKFRS 16 “*Leases*”, throughout the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2019 are set out in Note 30 below.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement

The Historical Financial Information is presented in Renminbi (“**RMB**”), rounded to the nearest thousand. RMB is the functional currency and the reporting currency for the Company’s subsidiaries established in the PRC. The functional currency of the Company is Hong Kong Dollars.

The Historical Financial Information is prepared on the historical cost basis.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)).

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

• Machinery and equipment	3–10 years
• Motor vehicles	3–10 years
• Tools	3–10 years
• Electronic equipment	3–5 years
• Right-of-use assets (Note 2(g)(i))	1–5 years
• Leasehold improvements	3 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

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(e) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(h)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets’ estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Software 10 years

Both the period and method of amortisation are reviewed annually.

(f) Service concession arrangement

The Group has entered into a service concession arrangement, which is a Build-Operate-Transfer (“the BOT”) arrangement. Under the BOT arrangement, the Group carries out construction work of upgrading the facilities of the sewage treatment and receives in return a right to operate the infrastructure for a specified period of time (the “Service Concession Period”) in accordance with the pre-established conditions set by certain government authority (“the Grantor”). The infrastructure should be transferred to the Grantor with nil consideration at the end of the Service Concession Period.

(i) Consideration given by the Grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from the Grantor for the construction services rendered and / or the consideration paid and payable by the Group for the right to charge users of the public service. The Group has unconditional right to receive cash if the Grantor contractually guarantees to pay the Group specified or determinable amounts or the shortfall, if any, between amounts received from the users of the public service and specified or determinable amounts. The financial assets (receivables under service concession arrangement) are accounted for in accordance with the policy set out in Note 2(k).

Revenue relating to operating services are accounted for in accordance with Note 2(r)(ii) below. Costs for operating services are expensed in the period in which they are incurred.

(ii) Construction and upgrade services

The fair value of the construction and upgrade service under the service concession arrangement is calculated as the estimated total construction costs plus a profit margin. The profit margin is valued by an independent qualified valuer, based on prevailing market rate applicable to similar construction services rendered in similar location at the date of agreement.

Revenue relating to construction or upgrade services is accounted for in accordance with Note 2(r)(i).

(iii) Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licences, that is, (i) to maintain the facilities of sewage treatment it operates to a specified level of serviceability and/or (ii) to restore the plants to a specified condition before they are handed over to the Grantor at the end of the Service Concession Period. These contractual obligations to maintain or restore the sewage and reclaimed water treatment and water distribution plants, except for upgrade element, are recognised and measured in accordance with the policy set out in Note 2(q)(i).

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(g) Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily steel pipes. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(d) and 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in “property, plant and equipment” and presents lease liabilities in “loans and borrowings” separately in the consolidated statements of financial position.

For sale and leaseback transactions, the Group considers whether the initial transfer of the underlying asset to the buyer-lessor is a sale. The Group applies HKFRS 15 to determine whether a sale has taken place.

When the transfer to buyer-lessor is a sale, the Group derecognises the underlying asset and applies the lessee accounting model to the leaseback - the Group measures the right-of-use asset at the retained portion of the previous carrying amount (i.e. at cost), and recognises only the amount of any gain or loss related to the rights transferred to the lessor.

When the transfer to buyer-lessor is not a sale, the Group continues to recognise the underlying asset, and recognises a financial liability for any amount received from the buyer-lessor.

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(ii) *As a lessor*

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(r)(iv).

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(g)(i), then it classifies the sub-lease as an operating lease.

All the leases commenced during the Relevant Periods are operating leases from the Group’s perspective. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “Revenue”.

(h) *Credit losses and impairment of assets*

(i) *Credit losses from financial instruments and contract assets*

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and receivables under service concession arrangement); and
- contract assets as defined in HKFRS 15 (see Note 2(j))

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables, contract assets and receivables under service concession arrangement: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, contract assets and receivables under service concession arrangement are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

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- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Costs of inventories are determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold/utilised, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(k) Receivables under service concession arrangement and trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(h)(i).

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(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Loans and borrowings

Loans and borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group’s accounting policy for borrowing costs (see Note 2(t)).

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(ii) Share-based payments

The fair value of equity instruments granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the

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extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using output method based on direct measurements of the value of services delivered or surveys of work performed.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(q)(ii).

(ii) Revenue from sewage treatment

Revenue from sewage treatment is recognised when the relevant service is rendered.

(iii) Sales of construction materials and equipment

Revenue is recognised when the customers take possession of and accepts the construction materials and equipment.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(v) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(vi) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

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(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(u) Related parties

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group’s parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgement and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Historical Financial Information. The significant accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Historical Financial Information.

(a) Revenue recognition for construction contracts

As explained in policy Note 2(r)(i), revenue from construction contracts are recognised over time. Revenue on uncompleted projects is dependent on estimating the outcome of the contract. The Group recognises revenue based on progress certificate issued by customers. The certificate reflects the progress towards complete satisfaction of the performance obligation, which is measured based on direct measurements of the value of work performed. The customers will provide final account when the whole project is completed and may have adjustments on the amount recognised to date according to the actual surveys of work performed at completion. Significant judgement is required in estimating the contract revenue and variation work which may have an impact on revenue recognised to date. In addition, actual outcomes in terms of total revenue may be higher or lower at the end of the reporting period, which would affect the revenue in future periods as an adjustment to the amounts recorded to date.

(b) Impairment of property, plant and equipment

The management determines the impairment loss if circumstances indicate that the carrying value of an item of property, plant and equipment may not be recoverable. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment when events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of estimated revenue and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and costs.

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(c) Impairment of trade receivables, contract assets and receivables under service concession arrangement

The impairment assessment of trade receivables, contract assets and receivables under service concession arrangement of the Group is based on the evaluation of collectability and ageing analysis of these assets as well as other quantitative and qualitative information and calculated the lifetime ECLs based on credit loss experience, and on management’s judgement and assessment of the forward-looking information. Significant judgement and estimates is required in assessing the ultimate realisation of these assets, based on the current creditworthiness, the past collection history and subsequent settlements of each customer. If the financial conditions of customers of the Group deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the provision of construction service, leasing of construction machinery, equipment and tools, and provision of sewage treatment service in mainland China.

(i) Disaggregation of revenue

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated by major products or service lines					
– Revenue from construction service	75,241	424,363	1,087,896	365,119	567,174
– Revenue from sewage treatment service	–	–	2,373	–	2,119
– Others *	120	2,085	11,067	5,562	3,709
	<u>75,361</u>	<u>426,448</u>	<u>1,101,336</u>	<u>370,681</u>	<u>573,002</u>
Revenue from other sources					
– Revenue from leasing of construction machinery, equipment and tools	81,393	72,409	91,414	34,287	38,875
	<u>156,754</u>	<u>498,857</u>	<u>1,192,750</u>	<u>404,968</u>	<u>611,877</u>

* *Others mainly represents sales of construction materials and equipment and provision of certain logistic services.*

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	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Disaggregated by timing of revenue recognition					
– Over time	156,634	496,772	1,181,683	399,406	608,168
– Point in time	120	2,085	11,067	5,562	3,709
Total	156,754	498,857	1,192,750	404,968	611,877

Revenue from major customers which accounts for 10% or more of the Group’s revenue are set out below:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Customer A	130,440	346,533	658,686	183,430	435,600
Customer B	21,228	N/A*	121,450	N/A*	N/A*
Customer F	N/A*	N/A*	127,442	74,855	N/A*
Customer I	N/A*	N/A*	N/A*	40,686	N/A*

* Less than 10% of the Group’s revenue in the respective years/periods

Details of concentrations of credit risk arising from these customers are set out in Note 26(a).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence as at 31 December 2016, 2017 and 2018 and 31 May 2019.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group’s existing contracts was RMB125,517,000, RMB285,272,000, RMB530,560,000 and RMB692,366,000 respectively. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 36 months.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group’s construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

(iii) Total future minimum lease payments receivable by the Group

As at 31 December 2016, 2017 and 2018 and 31 May 2019, total future minimum lease payments under non-cancellable operating leases in place will be receivable by the Group were RMB1,758,000, RMB5,266,000, RMB8,359,000 and RMB2,289,000, respectively. All these lease payments were receivable within one year.

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(b) Segment reporting

The Group manages its businesses by service lines. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment. No geographical segment analysis is presented as substantially all assets, liabilities, revenue and gross profit of the Group are attributable to the operations in the PRC.

The Group has four separate segments as follows:

- Provision of construction service (“**Construction service**”);
- Provision of leasing services of construction machinery, equipment and tools (“**Leasing of construction machinery, equipment and tools**”);
- Provision of sewage treatment service (“**Sewage treatment operation**”); and
- Sales of construction materials and equipment and others (“**Others**”).

For the purposes of assessing segment performance and allocating resources between segments, the Group’s senior executive management monitors the results based on the revenue and gross profits of Construction service, Leasing of construction machinery, equipment and tools, Sewage treatment operation and others.

	Construction service	Leasing of construction machinery, equipment and tools	Sewage treatment operation	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2016					
Revenue	75,241	81,393	–	120	156,754
Cost of sales	(64,670)	(53,832)	–	(116)	(118,618)
Reportable segment gross profits	<u>10,571</u>	<u>27,561</u>	<u>–</u>	<u>4</u>	<u>38,136</u>
Year ended 31 December 2017					
Revenue	424,363	72,409	–	2,085	498,857
Cost of sales	(317,489)	(50,035)	–	(1,475)	(368,999)
Reportable segment gross profits	<u>106,874</u>	<u>22,374</u>	<u>–</u>	<u>610</u>	<u>129,858</u>
Year ended 31 December 2018					
Revenue	1,087,896	91,414	2,373	11,067	1,192,750
Cost of sales	(835,554)	(61,793)	(1,761)	(8,120)	(907,228)
Reportable segment gross profits	<u>252,342</u>	<u>29,621</u>	<u>612</u>	<u>2,947</u>	<u>285,522</u>
Five months ended 31 May 2018 (unaudited)					
Revenue	365,119	34,287	–	5,562	404,968
Cost of sales	(279,744)	(24,431)	–	(2,517)	(306,692)
Reportable segment gross profits	<u>85,375</u>	<u>9,856</u>	<u>–</u>	<u>3,045</u>	<u>98,276</u>
Five months ended 31 May 2019					
Revenue	567,174	38,875	2,119	3,709	611,877
Cost of sales	(443,202)	(25,518)	(1,557)	(2,585)	(472,862)
Reportable segment gross profits	<u>123,972</u>	<u>13,357</u>	<u>562</u>	<u>1,124</u>	<u>139,015</u>

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During the Relevant Periods, the Group’s Construction service segment consists of below categories:

	Foundation works	Formwork and scaffolding work	Construction of sewage treatment infrastructure	Other construction work	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended 31 December 2016					
Revenue	40,088	35,153	–	–	75,241
Cost of sales	(31,976)	(32,694)	–	–	(64,670)
Gross profits	<u>8,112</u>	<u>2,459</u>	<u>–</u>	<u>–</u>	<u>10,571</u>
Year ended 31 December 2017					
Revenue	333,272	91,091	–	–	424,363
Cost of sales	(234,438)	(83,051)	–	–	(317,489)
Gross profits	<u>98,834</u>	<u>8,040</u>	<u>–</u>	<u>–</u>	<u>106,874</u>
Year ended 31 December 2018					
Revenue	874,308	139,990	42,254	31,344	1,087,896
Cost of sales	(663,502)	(117,878)	(32,714)	(21,460)	(835,554)
Gross profits	<u>210,806</u>	<u>22,112</u>	<u>9,540</u>	<u>9,884</u>	<u>252,342</u>
Five months ended 31 May 2018 (unaudited)					
Revenue	294,515	31,008	31,918	7,678	365,119
Cost of sales	(224,444)	(25,082)	(25,482)	(4,736)	(279,744)
Gross profits	<u>70,071</u>	<u>5,926</u>	<u>6,436</u>	<u>2,942</u>	<u>85,375</u>
Five months ended 31 May 2019					
Revenue	313,919	219,035	–	34,220	567,174
Cost of sales	(242,880)	(178,577)	–	(21,745)	(443,202)
Gross profits	<u>71,039</u>	<u>40,458</u>	<u>–</u>	<u>12,475</u>	<u>123,972</u>

During the Relevant Periods, all of the Group’s revenue were arising from mainland China. The Group does not allocate any specific assets or expenditure for property, plant and equipment to the operating segments as the Group’s senior executive management does not use the information to measure the performance of the reportable segments.

5 Other net income

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				(unaudited)	
Interest income	236	196	959	34	725
Government grant	500	616	1,692	200	785
(Loss)/gain on disposal of property, plant and equipment	(401)	–	(907)	(149)	745
Others	1	–	18	16	1
	<u>336</u>	<u>812</u>	<u>1,762</u>	<u>101</u>	<u>2,256</u>

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6 Profit before taxation

Profit before taxation is arrived at after charging:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(a) Finance costs					
Interest on bank loans and other borrowings	790	1,768	4,385	1,181	3,822
Interest on lease liabilities	110	135	167	63	83
Finance charges on sale and leaseback transactions	–	1,402	1,900	890	499
Interest on acquisition of equipment by instalments	–	2,134	2,669	1,015	980
Other borrowing cost	–	–	–	–	472
	<u>900</u>	<u>5,439</u>	<u>9,121</u>	<u>3,149</u>	<u>5,856</u>
(b) Staff costs (including directors' emoluments)					
Salaries, wages and other benefits	16,170	21,332	36,397	13,655	16,845
Contributions to defined contribution retirement benefit schemes (Note 22)	881	866	1,325	542	539
Equity-settled share-based payments (Note 25(c)(i))	315	–	–	–	–
	<u>17,366</u>	<u>22,198</u>	<u>37,722</u>	<u>14,197</u>	<u>17,384</u>
(c) Other items					
Depreciation					
– property, plant and equipment owned (Note 11(i))	29,836	64,089	93,357	36,614	42,133
– right-of-use assets (Note 11(ii))	1,330	1,701	1,039	317	957
	<u>31,166</u>	<u>65,790</u>	<u>94,396</u>	<u>36,931</u>	<u>43,090</u>
Amortisation of intangible assets (Note 12)	3	35	78	25	12
Impairment losses on trade and other receivables and contract assets	2,430	9,963	15,496	9,113	3,996
Loss on property, plant and equipment written off	–	–	4,115	–	–
Expenses relating to short-term leases	7,932	18,203	51,066	11,828	25,017
Auditor's remuneration	189	242	472	472	66
Research and development costs	3,657	8,354	46,579	20,438	17,937
Labour subcontracting fee	18,272	86,133	172,767	47,248	187,400
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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7 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax – PRC Corporate Income Tax					
Provision for the year/period	7,256	28,875	29,384	6,455	33,036
Deferred tax – PRC Corporate Income Tax					
Origination and reversal of temporary differences	(1,492)	(6,864)	7,103	7,487	(8,514)
	<u>5,764</u>	<u>22,011</u>	<u>36,487</u>	<u>13,942</u>	<u>24,522</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before taxation	<u>22,676</u>	<u>89,560</u>	<u>176,981</u>	<u>52,963</u>	<u>92,132</u>
Notional tax on profit before taxation, calculated at rates applicable to the respective tax jurisdictions	5,669	22,390	44,245	13,241	23,033
Tax effect of non-deductible expenses	95	338	903	643	1,470
Tax effect of super deduction for qualified research and development costs	–	(784)	(8,742)	–	–
Tax effect of unused tax losses not recognised	–	67	81	58	19
Actual tax expense	<u>5,764</u>	<u>22,011</u>	<u>36,487</u>	<u>13,942</u>	<u>24,522</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit that was subject to Hong Kong Profits Tax during the Relevant Periods.
- (iii) The Group’s subsidiaries in mainland China is subject to PRC corporate income tax at the statutory rate of 25%.

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8 Directors’ emoluments

Certain directors of the Company received remuneration from the subsidiaries now comprising the Group during the Relevant Periods which was included in staff costs as disclosed in Note 6(b). Directors’ emoluments as recorded in the Historical Financial Information are set out below:

Year ended 31 December 2016

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payment	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors							
Mr. Xun Minghong	–	–	–	–	–	–	–
Mr. He Wenlin	–	156	–	4	160	88	248
Ms. Zheng Ping	–	132	–	–	132	6	138
	–	288	–	4	292	94	386

Year ended 31 December 2017

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors					
Mr. Xun Minghong	–	135	90	4	229
Mr. He Wenlin	–	180	120	4	304
Ms. Zheng Ping	–	144	106	–	250
	–	459	316	8	783

Year ended 31 December 2018

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors					
Mr. Xun Minghong	–	180	220	4	404
Mr. He Wenlin	–	180	170	4	354
Ms. Zheng Ping	–	144	156	–	300
	–	504	546	8	1,058

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Five months ended 31 May 2018 (unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors					
Mr. Xun Minghong	–	75	–	2	77
Mr. He Wenlin	–	75	–	2	77
Ms. Zheng Ping	–	60	–	–	60
	–	210	–	4	214

Five months ended 31 May 2019

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors					
Mr. Xun Minghong	–	75	–	2	77
Mr. He Wenlin	–	75	–	2	77
Ms. Zheng Ping	–	60	–	–	60
	–	210	–	4	214
Non-executive director					
Mr. Xun Liangbao	–	30	–	1	31

Notes:

- (a) Mr. Xun Minghong, Mr. He Wenlin and Ms. Zheng Ping were appointed as executive directors of the Company on 5 February 2019.

Mr. Xun Minghong, Mr. He Wenlin and Ms. Zheng Ping were also directors of the Group’s subsidiary, Jianzhong Construction Technology and/or employees of the Group during the Relevant Periods and the Group paid emoluments to them in their capacity as the directors of Jianzhong Construction Technology and/or employees of the Group before their appointment as executive directors of the Company.
- (b) Mr. Xun Liangbao joined the Group in December 2018. Mr. Yang Kaifa, Mr. Zeng Guohua and Mr. Xun Liangbao were appointed as non-executive directors of the Company on 23 August 2019.
- (c) Mr. Sze Irons, Mr. Wong Kun Kau and Mr. Zhu Diwu were appointed as independent non-executive directors of the Company on [•] 2019.
- (d) During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

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9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, 2, 2, 2, 2 (unaudited) and 2 are directors whose emoluments are disclosed in Note 8 for the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2018 and 2019, respectively. The aggregate of the emoluments in respect of other 3, 3, 3, 3 (unaudited) and 3 individuals for the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2018 and 2019 respectively are as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other emoluments	384	432	450	195	207
Discretionary bonuses	–	298	450	–	–
Retirement scheme contributions	12	12	12	5	5
Share-based payment expenses	94	–	–	–	–
	<u>490</u>	<u>742</u>	<u>912</u>	<u>200</u>	<u>212</u>

The emoluments of the 3, 3, 3, 3 (unaudited) and 3 individuals with the highest emoluments for the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2018 and 2019, respectively, are within the following band:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
Nil to HK\$1,000,000	3	3	3	3	3

10 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and presentation of the result of the Group for the Relevant Periods on the basis of preparation and presentation as disclosed in Note 1.

11 Property, plant and equipment

	Note	As at 31 December			As at
		2016	2017	2018	31 May
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment owned	(i)	208,158	406,916	419,977	424,072
Right-of-use assets	(ii)	1,419	1,885	3,308	2,351
		<u>209,577</u>	<u>408,801</u>	<u>423,285</u>	<u>426,423</u>

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(i) *Property, plant and equipment owned*

	Machinery and equipment	Motor vehicles	Tools	Electronic equipment	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:						
At 1 January 2016	76,619	9,572	31,885	259	–	118,335
Additions	101,101	7,469	38,266	158	–	146,994
Disposals	(676)	–	–	(241)	–	(917)
At 31 December 2016 and 1 January 2017	177,044	17,041	70,151	176	–	264,412
Additions	119,409	10,142	132,386	910	–	262,847
At 31 December 2017 and 1 January 2018	296,453	27,183	202,537	1,086	–	527,259
Additions	58,549	6,434	48,501	72	1,139	114,695
Disposals	(1,527)	(3,326)	(1,257)	–	–	(6,110)
Written off	–	–	(6,580)	–	–	(6,580)
Transferred to receivables under service concession arrangement	–	(426)	–	–	–	(426)
At 31 December 2018 and 1 January 2019	353,475	29,865	243,201	1,158	1,139	628,838
Additions	32,398	267	15,087	50	–	47,802
Disposals	(892)	(1,890)	(2,476)	–	–	(5,258)
At 31 May 2019	384,981	28,242	255,812	1,208	1,139	671,382
Accumulated depreciation:						
At 1 January 2016	15,319	4,599	6,740	177	–	26,835
Charge for the year	14,096	2,855	12,790	95	–	29,836
Written back on disposals	(187)	–	–	(230)	–	(417)
At 31 December 2016 and 1 January 2017	29,228	7,454	19,530	42	–	56,254
Charge for the year	28,804	4,855	30,267	163	–	64,089
At 31 December 2017 and 1 January 2018	58,032	12,309	49,797	205	–	120,343
Charge for the year	40,599	5,025	47,410	323	–	93,357
Written back on disposals	(249)	(971)	(946)	–	–	(2,166)
Written off	–	–	(2,465)	–	–	(2,465)
Written back on transfer to receivables under service concession arrangement	–	(208)	–	–	–	(208)
At 31 December 2018 and 1 January 2019	98,382	16,155	93,796	528	–	208,861
Charge for the period	18,085	2,163	21,642	148	95	42,133
Written back on disposals	(242)	(1,795)	(1,647)	–	–	(3,684)
At 31 May 2019	116,225	16,523	113,791	676	95	247,310
Net book value:						
At 31 December 2016	147,816	9,587	50,621	134	–	208,158
At 31 December 2017	238,421	14,874	152,740	881	–	406,916
At 31 December 2018	255,093	13,710	149,405	630	1,139	419,977
At 31 May 2019	268,756	11,719	142,021	532	1,044	424,072

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All property, plant and equipment owned by the Group are located in the PRC.

(ii) Right-of-use assets

The Group has obtained the right to use certain office/factory buildings through tenancy agreements during the Relevant Periods. The leases typically run for an initial period of 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments. The analysis of the net book value of right-of-use assets by class of underlying asset is presented below:

	Office/factory buildings
	<i>RMB'000</i>
Balance as at 1 January 2016	196
Additions	2,553
Depreciation charge for the year	(1,330)
Balance as at 31 December 2016 and 1 January 2017	1,419
Additions	2,167
Depreciation charge for the year	(1,701)
Balance as at 31 December 2017 and 1 January 2018	1,885
Additions	2,462
Depreciation charge for the year	(1,039)
Balance as at 31 December 2018 and 1 January 2019	3,308
Additions	–
Depreciation charge for the period	(957)
Balance as at 31 May 2019	<u>2,351</u>

(iii) Sale and leaseback assets

In 2017, the Group sold some of its machinery and equipment to external parties and leased them back for a term of 3 years. The Group determined the transfers to buyer-lessor were not sales under HKFRS15, thus the Group continues to recognise the underlying assets, and recognises financial liabilities for the considerations received in accordance with the accounting policy set out in Note 2(g)(i). No gain or loss were recognised from the sale and leaseback transactions during the Relevant Periods. As at 31 December 2017 and 2018 and 31 May 2019, the carrying amounts of the machinery and equipment under sale and leaseback transactions were RMB33,619,000, RMB30,449,000 and RMB29,128,000 respectively, which were included in the carrying amount of property, plant and equipment of the Group.

As at 31 December 2017 and 2018 and 31 May 2019, the carrying amounts of the machinery and equipment pledged for the aforementioned sale and leaseback transactions were RMB17,903,000, RMB16,346,000 and RMB 15,697,000 respectively.

(iv) Assets leased out under operating leases

During the ordinary course of business, some machinery and equipment, i.e. tower cranes and construction hoist, are acquired by the Group for leasing purpose. The leases typically run for a period of 6 to 12 months, with an option to renew the lease after renegotiation.

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The reconciliation of tower cranes and construction hoist of the Group during the Relevant Periods is as below:

	<i>RMB'000</i>
Cost:	
At 1 January 2016	28,872
Additions	8,931
Disposals	(675)
At 31 December 2016 and 1 January 2017	37,128
Additions	2,222
At 31 December 2017 and 1 January 2018	39,350
Additions	13,340
Disposals	(33)
At 31 December 2018 and 1 January 2019	52,657
Additions	3,358
At 31 May 2019	56,015

Accumulated depreciation:	
At 1 January 2016	6,399
Depreciation for the year	569
Written back on disposals	(187)
At 31 December 2016 and 1 January 2017	6,781
Depreciation for the year	70
At 31 December 2017 and 1 January 2018	6,851
Depreciation for the year	1,277
Written back on disposals	(25)
At 31 December 2018 and 1 January 2019	8,103
Depreciation for the period	41
At 31 May 2019	8,144

Net book value:	
At 31 December 2016	30,347
At 31 December 2017	32,499
At 31 December 2018	44,554
At 31 May 2019	47,871

Other assets are mainly acquired for the Group’s own use for construction projects, but the Group also leases out some of these assets according to customers’ specific needs. Those leases are mainly short-term leases, with an option to renew the lease after renegotiation.

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As at 31 December 2016, 2017 and 2018 and 31 May 2019, the carrying amounts of assets (other than tower cranes and construction hoist) leased out under operating lease are as follows:

	Machinery and equipment	Motor vehicles	Tools	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net book value:				
At 31 December 2016	88,120	1,565	1,001	90,686
At 31 December 2017	31,596	237	–	31,833
At 31 December 2018	35,512	1,600	515	37,627
At 31 May 2019	20,792	2,225	265	23,282

The Group obtains residual value guarantees from the lessees to reduce the residual asset risks where applicable.

12 Intangible assets

	Software
	<i>RMB'000</i>
Cost:	
At 1 January 2016	29
Additions	–
At 31 December 2016 and 1 January 2017	29
Additions	579
At 31 December 2017 and 1 January 2018	608
Additions	301
At 31 December 2018 and 1 January 2019	909
Additions	–
At 31 May 2019	909
Accumulated amortisation:	
At 1 January 2016	–
Amortisation for the year	3
At 31 December 2016 and 1 January 2017	3
Amortisation for the year	35
At 31 December 2017 and 1 January 2018	38
Amortisation for the year	78
At 31 December 2018 and 1 January 2019	116
Amortisation for the period	12
At 31 May 2019	128
Net book value:	
At 31 December 2016	26
At 31 December 2017	570
At 31 December 2018	793
At 31 May 2019	781

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13 Other non-current assets

Other non-current assets mainly present prepaid amounts to suppliers of property, plant and equipment.

14 Inventories

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Materials	2,158	20,741	14,907	12,718
Consumables	16,314	6,486	21,169	7,143
Finished goods	–	987	2,607	341
Work in progress	–	779	3,896	7,241
Goods in transit	–	835	–	–
	<u>18,472</u>	<u>29,828</u>	<u>42,579</u>	<u>27,443</u>

15 Contract assets and contract liabilities

(a) Contract assets

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Arising from performance under construction contracts	<u>14,972</u>	<u>140,032</u>	<u>254,842</u>	<u>370,316</u>
Receivables from contracts with customers within the scope of HKFRS15 which are included in “Trade and other receivables” (Note 16)	<u>22,326</u>	<u>89,209</u>	<u>227,167</u>	<u>319,187</u>

Contract assets primarily relate to the Group’s rights to consideration for work completed but not yet reached the milestones for billing at the reporting date. The Group’s construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The Group also typically agrees to a retention for 3% to 5% of the contract value. The retention period normally ranges from one to two years upon the completion of work. This amount is included in contract assets until the end of the retention period as the Group’s entitlement to this final payment is conditional on the Group’s work satisfactorily passing inspection.

As at 31 December 2016, 2017, 2018 and 31 May 2019, the amount of contract assets that was expected to be recovered after more than one year were RMB15,061,000, RMB90,420,000, RMB124,200,000 and RMB172,400,000 respectively.

Contract assets are transferred to trade receivables when the rights become unconditional.

During the years ended 31 December 2016, 2017 and 2018, five months ended 31 May 2018 and 2019, the amount of revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods is RMB nil, RMB nil, RMB nil, RMB nil (unaudited) and RMB3,308,000, respectively.

(b) Contract liabilities

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Billings in advance for construction contracts	–	7	5,117	1,231
Sales deposits received	–	160	6	21
	<u>–</u>	<u>167</u>	<u>5,123</u>	<u>1,252</u>

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Contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised at the point of transfer of construction-related materials, which is normally within three months.

For the years ended 31 December 2016, 2017 and 2018, five months ended 31 May 2018 and 2019, revenue recognised in the respective year/period that was included in the contract liabilities balance at the beginning of the year/period was RMB nil, RMB nil, RMB160,000, RMB157,000 (unaudited) and RMB3,926,000, respectively.

16 Trade and other receivables

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, net of loss allowance				
– third parties	28,749	123,810	251,742	366,460
– related parties (<i>Note 28(c)</i>)	1,389	1,362	7,787	2,712
Bills receivables	–	–	59,539	69,462
Prepayments to suppliers	5,493	17,139	22,691	43,277
Amounts due from related parties (<i>Note 28(c)</i>)	270	–	2,024	300
Deposits and other receivables	11,522	20,742	21,507	16,168
	<u>47,423</u>	<u>163,053</u>	<u>365,290</u>	<u>498,379</u>

As at 31 December 2016, 2017 and 2018 and 31 May 2019, deposits amounting to RMB nil, RMB50,000, RMB3,000,000 and RMB3,000,000 respectively were expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As part of its normal business, the Group has entered into certain factoring agreements with certain banks and factoring companies. As at 31 December 2016, 2017 and 2018 and 31 May 2019, outstanding trade receivables of RMB43,089,000, RMB40,228,000, RMB241,054,000 and RMB378,601,000, respectively, were transferred to certain banks or factoring companies in accordance with non-recourse factoring agreements, and the corresponding trade receivables were derecognised as the directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore these receivables were qualified for derecognition.

In addition, the Group also entered into some factoring agreements with recourse. Under these agreements, the Group may be required to reimburse the bank for loss of interest if any trade receivables have not been fully paid upon due dates. The Group has retained the substantial risks and rewards, which include default risks of the trade receivables after the transfer. Subsequent to the transfer, the Group did not have the rights to transfer or pledge of the trade receivables to any other third parties. As at 31 December 2016, 2017 and 2018 and 31 May 2019, trade receivables of RMB nil, RMB74,187,000, RMB58,434,000 and RMB58,434,000, respectively, were factored to the bank with recourse and were not derecognised. The associated liabilities with the same amount were also recognised as bank loans (*Note 21(a)*).

As at 31 December 2018 and 31 May 2019, outstanding commercial acceptance bills of RMB58,145,000 and RMB 69,237,000 were endorsed to certain suppliers with recourse and were not derecognised. The associated liabilities with the same amount were included in trade and other payables (*Note 20*).

Ageing analysis

As at 31 December 2016, 2017, and 2018 and 31 May 2019, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on date of progress certificates or date of issuance of bills and net of loss allowance, is as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	15,841	55,835	72,211	126,025
More than 1 month but within 3 months	11,534	57,069	113,222	111,165
More than 3 months but within 6 months	852	7,112	72,526	97,005
More than 6 months but within 12 months	1,911	2,958	45,741	81,502
More than 12 months	–	2,198	15,368	22,937
	<u>30,138</u>	<u>125,172</u>	<u>319,068</u>	<u>438,634</u>

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Trade receivables are practically due within 90 or 180 days from the date of progress certificates. Further details on the Group’s credit policy and credit risk arising from trade receivables are set out in Note 26(a).

17 Receivables under service concession arrangement

In January 2018, the Group entered into a service agreement to provide sewage treatment service in Changle District. Details of the Group’s service concession arrangement for providing sewage treatment service are listed below:

Term of concession rights	Till 30 April 2030
Rights to use specific assets	All relevant sewage treatment infrastructure
Pricing	Initial sewage treatment unit tariff price is set out in the relevant service agreement. Non-routine review of sewage treatment unit tariff price is conducted upon change in production costs or additional capital expenditure incurred due to compliance with new environmental requirements
Minimum sewage treatment volume guaranteed	40,000 tonnes per day
Responsibilities	During the concession period, the Group shall: <ul style="list-style-type: none">• Maintain the sewage treatment facilities and operation of sewage treatment• Monitor water quality• Disclose to the public the relevant tap water supply parameters, including quality, supply pressure and other service measures
Term of termination	Upon expiry of the concession period
Obligations to deliver specified assets at the end of the concession period	At the end of the concession period, the Group is obliged to deliver all the relevant sewage treatment infrastructure to the Grantor at nil consideration
Term of renewal	Not determined

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The Group’s receivables under service concession arrangement in respect of sewage treatment service concession arrangement are as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current portion	–	–	36,753	35,183
Current portion	–	–	9,249	12,332
	–	–	46,002	47,515
Expected collection schedule is as follows:				
Within 1 year	–	–	9,249	12,332
After 1 year but within 5 years	–	–	14,656	14,596
After 5 years but within 10 years	–	–	17,586	17,490
After 10 years	–	–	4,511	3,097
	–	–	46,002	47,515

The effective interest rate for the above financial assets was 3.85 % per annum.

18 Restricted bank balances

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB’000	RMB’000	RMB’000	RMB’000
Pledged deposits	6,559	4,238	2,235	13,089

As at 31 December 2016, 2017 and 2018 and 31 May 2019, these deposits were pledged to banks as security for bills payable (Note 20).

19 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB’000	RMB’000	RMB’000	RMB’000
Cash at bank and on hand	3,751	2,009	93,772	6,508

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 December 2016, 2017 and 2018 and 31 May 2019, cash and deposits that were placed with banks in the mainland China amounted to RMB3,637,000, RMB2,000,000, RMB93,772,000 and RMB6,508,000 respectively. Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

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(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

	Note	Year ended 31 December			Five months ended 31 May	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Operating activities						
Profit before taxation		22,676	89,560	176,981	52,963	92,132
Adjustments for:						
Depreciation of property, plant and equipment owned and right-of-use assets	6(c)	31,166	65,790	94,396	36,931	43,090
Amortisation	6(c)	3	35	78	25	12
Loss/(gain) on disposal of property, plant and equipment	5	401	–	907	149	(745)
Loss on property, plant and equipment written off	6(c)	–	–	4,115	–	–
Impairment losses on trade and other receivables and contract assets	6(c)	2,430	9,963	15,496	9,113	3,996
Finance costs	6(a)	900	5,439	9,121	3,149	5,856
Equity-settled share-based payments	6(b)	315	–	–	–	–
Changes in working capital:						
(Increase)/decrease in inventories		(12,261)	(11,356)	(12,751)	(21,890)	15,136
Increase in contract assets		(15,668)	(129,970)	(118,356)	(110,526)	(115,425)
Increase in trade and other receivables		(36,184)	(120,683)	(212,213)	(82,016)	(137,485)
Increase in receivables under service concession arrangement		–	–	(45,784)	–	(1,513)
Decrease/(increase) in restricted bank balances		9,699	2,321	2,003	4,150	(10,854)
Increase in trade and other payables		58,201	102,953	167,368	82,364	26,662
Increase/(decrease) in contract liabilities		–	167	4,956	6,830	(3,871)
Cash generated from/(used in) operations		61,678	14,219	86,317	(18,758)	(83,009)

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(c) *Reconciliation of liabilities arising from financing activities:*

The table below details changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s consolidated cash flow statements as cash flows from financing activities.

	Bank loans	Interest payable	Amounts due to related parties	Other borrowings	Lease liabilities	Payables for acquisition of equipment by instalments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(Note 21(a))	(Note 20)	(Note 20)		(Note 21(b))	(Notes 20 and 24)	
At 1 January 2016	13,428	25	56,185	1,000	-	-	70,638
Changes from financing cash flows:							
Proceeds from bank loans	51,251	-	-	-	-	-	51,251
Repayments of bank loans	(51,679)	-	-	-	-	-	(51,679)
Interests paid on bank loans	-	(799)	-	-	-	-	(799)
Payments of lease liabilities	-	-	-	-	(771)	-	(771)
Interest element of lease liabilities	-	(110)	-	-	-	-	(110)
Payment for acquisition of equipment by instalments	-	-	-	-	-	(5,770)	(5,770)
Advances from related parties	-	-	251,652	-	-	-	251,652
Repayments to related parties	-	-	(239,300)	-	-	-	(239,300)
Repayments of other borrowings	-	-	-	(1,000)	-	-	(1,000)
Total changes from financing cash flows	(428)	(909)	12,352	(1,000)	(771)	(5,770)	3,474
Other changes							
New leases	-	-	-	-	2,553	-	2,553
Acquisition of equipment by instalments	-	-	-	-	-	36,355	36,355
Interest expenses	-	900	-	-	-	-	900
Non-cash transactions with related parties	-	-	4,419	-	-	-	4,419
Total other changes	-	900	4,419	-	2,553	36,355	44,227
At 31 December 2016	13,000	16	72,956	-	1,782	30,585	118,339

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	Bank loans	Interest payable	Amounts due to related parties	Lease liabilities	Payables for acquisition of equipment by instalments	Obligations arising from sale and leaseback transactions	Other borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 21(a))	(Note 20)	(Note 20)	(Note 21(b))	(Notes 20 and 24)	(Note 21(c))	(Note 21(d))	
At 1 January 2017	13,000	16	72,956	1,782	30,585	-	-	118,339
Changes from financing cash flows:								
Proceeds from bank loans	144,187	-	-	-	-	-	-	144,187
Repayments of bank loans	(48,000)	-	-	-	-	-	-	(48,000)
Interests paid on bank loans	-	(1,716)	-	-	-	-	-	(1,716)
Payments of lease liabilities	-	-	-	(2,003)	-	-	-	(2,003)
Interest element of lease liabilities	-	(135)	-	-	-	-	-	(135)
Payment for acquisition of equipment by instalments	-	-	-	-	(25,133)	-	-	(25,133)
Interests paid on acquisition of equipment by instalments	-	(2,134)	-	-	-	-	-	(2,134)
Proceeds from borrowings under sale and leaseback transactions	-	-	-	-	-	9,945	-	9,945
Payments for capital element of obligations arising from sale and leaseback transactions	-	-	-	-	-	(4,726)	-	(4,726)
Interest element of obligations arising from sale and leaseback transactions	-	(1,228)	-	-	-	-	-	(1,228)
Advances from related parties	-	-	245,811	-	-	-	-	245,811
Repayments to related parties	-	-	(317,385)	-	-	-	-	(317,385)
Proceeds from other borrowings	-	-	-	-	-	-	9,500	9,500
Repayments of other borrowings	-	-	-	-	-	-	(3,000)	(3,000)
Total changes from financing cash flows	96,187	(5,213)	(71,574)	(2,003)	(25,133)	5,219	6,500	3,983
Other changes								
New leases	-	-	-	2,167	-	-	-	2,167
Additions of assets under sale and leaseback transactions	-	-	-	-	-	16,667	-	16,667
Acquisition of equipment by instalments	-	-	-	-	39,348	-	-	39,348
Interest expenses	-	5,439	-	-	-	-	-	5,439
Non-cash transactions with related parties	-	-	569	-	-	-	-	569
Others	-	(174)	-	-	-	1,360	-	1,186
Total other changes	-	5,265	569	2,167	39,348	18,027	-	65,376
At 31 December 2017	109,187	68	1,951	1,946	44,800	23,246	6,500	187,698

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	Bank loans	Interest payable	Amounts due to related parties	Lease liabilities	Payables for acquisition of equipment by instalments	Obligations arising from sale and leaseback transactions	Other borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 21(a))	(Note 20)	(Note 20)	(Note 21(b))	(Notes 20 and 24)	(Note 21(c))	(Note 21(d))	
At 1 January 2018	109,187	68	1,951	1,946	44,800	23,246	6,500	187,698
Changes from financing cash flows:								
Proceeds from bank loans	220,834	-	-	-	-	-	-	220,834
Repayments of bank loans	(207,270)	-	-	-	-	-	-	(207,270)
Interests paid on bank loans	-	(4,366)	-	-	-	-	-	(4,366)
Payments of lease liabilities	-	-	-	(715)	-	-	-	(715)
Interest element of lease liabilities	-	(149)	-	-	-	-	-	(149)
Payment for acquisition of equipment by instalments	-	-	-	-	(18,843)	-	-	(18,843)
Interests paid on acquisition of equipment by instalments	-	(2,669)	-	-	-	-	-	(2,669)
Payments for capital element of obligations arising from sale and leaseback transactions	-	-	-	-	-	(9,285)	-	(9,285)
Interest element of obligations arising from sale and leaseback transactions	-	(1,900)	-	-	-	-	-	(1,900)
Advances from related parties	-	-	261,664	-	-	-	-	261,664
Repayments to related parties	-	-	(220,257)	-	-	-	-	(220,257)
Repayments of other borrowings	-	-	-	-	-	-	(6,500)	(6,500)
Total changes from financing cash flows	13,564	(9,084)	41,407	(715)	(18,843)	(9,285)	(6,500)	10,544
Other changes								
New leases	-	-	-	2,462	-	-	-	2,462
Acquisition of equipment by instalments	-	-	-	-	9,853	-	-	9,853
Interest expenses	-	9,121	-	-	-	-	-	9,121
Commercial bills endorsed	-	-	(31,210)	-	(862)	-	-	(32,072)
Others	-	-	1,724	-	-	-	-	1,724
Total other changes	-	9,121	(29,486)	2,462	8,991	-	-	(8,912)
At 31 December 2018	122,751	105	13,872	3,693	34,948	13,961	-	189,330

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	Bank loans	Interest payable	Amounts due to related parties	Lease liabilities	Payables for acquisition of equipment by instalments	Obligations arising from sale and leaseback transactions	Other borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 21(a))	(Note 20)	(Note 20)	(Note 21(b))	(Notes 20 and 24)	(Note 21(c))	(Note 21(d))	
(Unaudited)								
At 1 January 2018	109,187	68	1,951	1,946	44,800	23,246	6,500	187,698
Changes from financing cash flows:								
Proceeds from bank loans	29,621	-	-	-	-	-	-	29,621
Repayments of bank loans	(220)	-	-	-	-	-	-	(220)
Interests paid on bank loans	-	(1,249)	-	-	-	-	-	(1,249)
Payments of lease liabilities	-	-	-	(86)	-	-	-	(86)
Interest element of lease liabilities	-	(63)	-	-	-	-	-	(63)
Payment for acquisition of equipment by instalments	-	-	-	-	(6,857)	-	-	(6,857)
Interests paid on acquisition of equipment by instalments	-	(1,015)	-	-	-	-	-	(1,015)
Payments for capital element of obligations arising from sale and leaseback transactions	-	-	-	-	-	(4,190)	-	(4,190)
Interest element of obligations arising from sale and leaseback transactions	-	(890)	-	-	-	-	-	(890)
Advances from related parties	-	-	86,064	-	-	-	-	86,064
Repayments to related parties	-	-	(39,000)	-	-	-	-	(39,000)
Repayments of other borrowings	-	-	-	-	-	-	(2,200)	(2,200)
Total changes from financing cash flows	29,401	(3,217)	47,064	(86)	(6,857)	(4,190)	(2,200)	59,915
Other changes								
New leases	-	-	-	462	-	-	-	462
Acquisition of equipment by instalments	-	-	-	-	8,635	-	-	8,635
Interest expenses	-	3,149	-	-	-	-	-	3,149
Commercial bills endorsed	-	-	(9,413)	-	(862)	-	-	(10,275)
Others	-	-	1,724	-	-	-	-	1,724
Total other changes	-	3,149	(7,689)	462	7,773	-	-	3,695
At 31 May 2018	138,588	-	41,326	2,322	45,716	19,056	4,300	251,308

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	Bank loans	Interest payable	Amounts due to related parties	Lease liabilities	Payables for acquisition of equipment by instalments	Obligations arising from sale and leaseback transactions	Other borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 21(a))	(Note 20)	(Note 20)	(Note 21(b))	(Notes 20 and 24)	(Note 21(c))	(Note 21(d))	
At 1 January 2019	122,751	105	13,872	3,693	34,948	13,961	-	189,330
Changes from financing cash flows:								
Proceeds from bank loans	25,000	-	-	-	-	-	-	25,000
Repayments of bank loans	(20,317)	-	-	-	-	-	-	(20,317)
Interests paid on bank loans	-	(3,822)	-	-	-	-	-	(3,822)
Payments of lease liabilities	-	-	-	(134)	-	-	-	(134)
Interest element of lease liabilities	-	(17)	-	-	-	-	-	(17)
Payment for acquisition of equipment by instalments	-	-	-	-	(16,895)	-	-	(16,895)
Interests paid on acquisition of equipment by instalments	-	(980)	-	-	-	-	-	(980)
Payments for capital element of obligations arising from sale and leaseback transactions	-	-	-	-	-	(4,247)	-	(4,247)
Interest element of obligations arising from sale and leaseback transactions	-	(499)	-	-	-	-	-	(499)
Advances from related parties	-	-	25,252	-	-	-	-	25,252
Repayments to related parties	-	-	(37,400)	-	-	-	-	(37,400)
Total changes from financing cash flows	4,683	(5,318)	(12,148)	(134)	(16,895)	(4,247)	-	(34,059)
Other changes								
Acquisition of equipment by instalments	-	-	-	-	18,387	-	-	18,387
Interest expenses	-	5,856	-	-	-	-	-	5,856
Payables to shareholders due to Reorganisation	-	-	4,125	-	-	-	-	4,125
Others	-	-	(1,724)	-	-	-	-	(1,724)
Total other changes	-	5,856	2,401	-	18,387	-	-	26,644
At 31 May 2019	127,434	643	4,125	3,559	36,440	9,714	-	181,915

(d) Significant non-cash transactions:

During the year ended 31 December 2017, the Group acquired certain machinery and equipment with an aggregate cost of RMB16,667,000, and entered into a sale and leaseback agreement regarding the underlying assets with an independent third party. The payable to the supplier of the machinery and equipment of RMB13,742,000 was settled by the buyer-lessor.

During the years ended 31 December 2016 and 2017, operating costs of RMB4,419,000 and RMB569,000 relating to payroll, materials cost and labour service fees were settled by related parties on behalf of the Group.

During the year ended 31 December 2018, five months ended 31 May 2018 and 2019, the Group endorsed commercial bills of RMB31,210,000, RMB9,413,000 (unaudited) and RMB nil to certain related parties to settle corresponding amounts due to related parties.

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During the year ended 31 December 2018, the Group endorsed commercial bills of RMB862,000 to certain suppliers to settle corresponding payables for acquisition of equipment by instalments.

(e) Total cash outflow for leases:

Amounts included in the cash flow statements for leases comprise the following:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within operating cash flows	(3,138)	(11,073)	(33,546)	(5,473)	(18,469)
Within financing cash flows	(881)	(2,138)	(864)	(149)	(151)
	(4,019)	(13,211)	(34,410)	(5,622)	(18,620)

These amounts all relate to lease rentals paid.

20 Trade and other payables

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– third parties	50,219	136,882	265,871	220,236
– related parties (Note 28(c))	17,508	8,619	13	–
Bills payable	5,772	9,866	19,851	53,786
Payables to suppliers of property plant and equipment	55,364	66,719	70,920	45,208
Payables for acquisition of equipment by instalments-current portion	15,457	27,843	29,488	23,351
Other payables and accruals	4,827	21,154	40,336	61,940
Obligation for bills endorsed with recourse	–	–	58,145	69,237
Interest payable	16	68	105	643
Amounts due to related parties (Note 28(c))	72,956	1,951	13,872	4,125
	222,119	273,102	498,601	478,526

As at 31 December 2016, 2017 and 2018 and 31 May 2019, all trade and other payables were expected to be settled within one year or repayable on demand.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the ageing analysis of trade and bills payable (which are included in trade and other payables), based on invoice date/ transaction date, was as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	32,178	65,983	87,340	72,727
More than 1 month but within 3 months	11,471	36,879	79,251	79,994
More than 3 months but within 6 months	21,283	19,142	62,487	68,110
More than 6 months but within 12 months	6,048	21,877	40,681	28,744
More than 12 months	2,519	11,486	15,976	24,447
	73,499	155,367	285,735	274,022

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21 Loans and borrowings

	Note	As at 31 December			As at 31 May
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current					
Bank loans-secured	(a)	-	21,560	-	-
Lease liabilities	(b)	-	1,307	1,091	749
Obligations arising from sale and leaseback transactions	(c)	-	13,961	4,536	922
		-	36,828	5,627	1,671
Current					
Bank loans-secured	(a)	13,000	87,627	122,314	127,434
Bank loans-unsecured	(a)	-	-	437	-
Lease liabilities	(b)	1,782	639	2,602	2,810
Obligations arising from sale and lease back transactions	(c)	-	9,285	9,425	8,792
Other borrowings	(d)	-	6,500	-	-
		14,782	104,051	134,778	139,036
Total		14,782	140,879	140,405	140,707

(a) Bank loans

Bank loans were repayable as below:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	13,000	87,627	122,751	127,434
1 to 2 years	-	440	-	-
2 to 5 years	-	21,120	-	-
	13,000	109,187	122,751	127,434

As at 31 December 2016, 2017 and 2018, bank loans of RMB13,000,000, RMB35,000,000, and RMB19,880,000 were guaranteed by the Controlling Shareholder of the Group and his spouse and secured by certain properties owned by the Controlling Shareholder of the Group. As at 31 December 2018 and 31 May 2019, bank loans of RMB44,000,000 and RMB69,000,000 were guaranteed by the Controlling Shareholder of the Group and his spouse and secured by certain properties of an independent third party.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, bank loans of RMB nil, RMB74,187,000, RMB58,434,000 and RMB58,434,000 were secured by the pledge of trade receivables of RMB nil, RMB74,187,000, RMB58,434,000 and RMB58,434,000 as mentioned in Note 16.

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(b) *Lease liabilities*

Maturity analysis-contractual undiscounted cash flows

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	1,854	754	2,783	2,932
1 to 2 years	–	701	738	558
2 to 5 years	–	719	420	233
Total undiscounted lease liabilities	1,854	2,174	3,941	3,723
Less: total future interest expenses	(72)	(228)	(248)	(164)
Lease liabilities included in the consolidated statements of financial position	1,782	1,946	3,693	3,559

Maturity analysis-present value of lease liabilities

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	1,782	639	2,602	2,810
1 to 2 years	–	627	688	524
2 to 5 years	–	680	403	225
Present value of lease liabilities	1,782	1,946	3,693	3,559

(c) *Obligations arising from sale and leaseback transactions*

Obligations arising from sale and leaseback transactions were repayable as below:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	–	11,185	10,440	9,642
1 to 2 years	–	10,440	4,951	962
2 to 5 years	–	4,950	–	–
Total undiscounted obligations arising from sale and leaseback transactions	–	26,575	15,391	10,604
Less: total future interest expenses	–	(3,329)	(1,430)	(890)
Obligations arising from sale and leaseback transactions included in the consolidated statements of financial position	–	23,246	13,961	9,714

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Maturity analysis-present value of obligations arising from sale and leaseback transactions

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	–	9,285	9,425	8,792
1 to 2 years	–	9,425	4,536	922
2 to 5 years	–	4,536	–	–
Present value of obligations arising from sale and leaseback transactions	–	23,246	13,961	9,714

As at 31 December 2017 and 2018 and 31 May 2019, obligations arising from sale and leaseback transactions of RMB9,353,000, RMB5,519,000 and RMB3,603,000 were secured by underlying assets with carrying values of RMB17,903,000, RMB16,346,000 and RMB15,697,000 respectively as mentioned in Note 11(iii). All the obligations arising from sale and leaseback transactions during the Relevant Periods were guaranteed by the Controlling Shareholder of the Group and entities controlled by him.

(d) Other borrowings

Other borrowings were unsecured, interest-free and repayable on demand.

22 Employee retirement benefits

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the Group’s subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes based on a percentage of the participating employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the contributions described above.

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23 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB’000	RMB’000	RMB’000	RMB’000
PRC corporate income tax payable	7,252	27,496	38,401	69,513

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The component of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Credit loss allowances	Construction costs	Depreciation in excess of related allowances	Others	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Deferred tax arising from:					
At 1 January 2016	78	(271)	415	157	379
Credited/(charge) to profit or loss	608	(7)	513	378	1,492
At 31 December 2016 and 1 January 2017	686	(278)	928	535	1,871
Credited/(charge) to profit or loss	2,482	3,227	1,193	(38)	6,864
At 31 December 2017 and 1 January 2018	3,168	2,949	2,121	497	8,735
Credited/(charged) to profit or loss	3,882	967	(12,545)	593	(7,103)
At 31 December 2018 and 1 January 2019	7,050	3,916	(10,424)	1,090	1,632
Credited/(charge) to profit or loss	1,000	977	6,837	(300)	8,514
At 31 May 2019	8,050	4,893	(3,587)	790	10,146

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB’000	RMB’000	RMB’000	RMB’000
Net deferred tax assets recognised in the consolidated statements of financial position	1,871	8,735	1,632	10,146

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(c) Deferred tax assets not recognised

In accordance with Note 2(p), the Group did not recognise deferred tax assets as at 31 December 2016, 2017, 2018 and 31 May 2019 in respect of cumulative tax losses of RMB nil, RMB268,000, RMB324,000 and RMB75,000 respectively, as it was not probable that future taxable profits against which these deductible temporary differences could be utilised would be available in the relevant tax jurisdiction and entity. The tax losses expire within 5 years under the current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2016, 2017, 2018 and 31 May 2019, deferred tax liabilities of RMB1,441,000, RMB7,481,000, RMB19,805,000 and RMB26,569,000 in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company’s PRC subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of each of the reporting period, it was determined that the undistributed profits of the Company’s PRC subsidiaries would not be distributed in the foreseeable future.

24 Other non-current liabilities

Other non-current liabilities represent the non-current portion of payables for acquisition of equipment by instalments. For the years ended 31 December 2016, 2017 and 2018 and five months ended 31 May 2018 and 2019, the effective interest rates of the payables are 6%, 7.2%, 7.2%, 7.2% (unaudited) and 7.2%, respectively.

25 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company’s individual components of equity are set below:

Company

	<i>Note</i>	Share Capital
		<i>RMB’000</i>
Balance as at 5 February 2019 (date of incorporation)		–
Change in equity for the five months ended 31 May 2019:		
Issuance of new shares	25(b)	–*
Balance as at 31 May 2019		–*

* *The balances represent amounts less than RMB1,000.*

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(b) Share capital

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 5 February 2019 with authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. On the same date, one share was allotted and issued, credited as fully paid.

The Reorganisation was completed on 21 May 2019. The share capital in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 represented the paid-up capital of Jianzhong Construction Technology and the share capital as at 31 May 2019 represented the share capital of the Company.

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve represents the following:

- Jianzhong Investment Partnership (Limited Partnership) (“**Jianzhong Investment Partnership**”) is a limited partnership set up on 14 January 2016 as a platform for employee stock ownership plan. Jianzhong Investment Partnership was originally owned as to 95% by Mr. Xun Minghong and 5% by employees of Jianzhong Construction Technology. In January 2016, Mr. Ni Xingshou transferred 10% equity interest of Jianzhong Construction Technology, which was held on behalf of Mr. Xun Minghong, to Jianzhong Investment Partnership at a consideration of RMB1,500,000. Upon completion of the share transfer, Mr. Xun Minghong and Jianzhong Investment Partnership held 90% and 10% of equity interest of Jianzhong Construction Technology respectively. On 21 March 2016, the share capital of Jianzhong Construction Technology was increased from RMB15,000,000 to RMB35,000,000, among which Mr. Xun Minghong was obliged to inject RMB18,000,000 while Jianzhong Investment Partnership was obliged to inject RMB2,000,000. On the same day, Mr. Xun Minghong transferred 45% equity interest of Jianzhong Investment Partnership to employees, making the employees owning up to 50% equity interest of Jianzhong Investment Partnership (equivalent to 5% equity interest of Jianzhong Construction Technology). The total consideration paid by the employees was RMB1,750,000.

The series of equity transfers were accounted for as share-based payments given to employees. The fair value of the transferred shares amounting to RMB2,065,000 was determined based on the net asset value of Jianzhong Construction Technology at the time of transfer, which was higher than the consideration paid. Accordingly, the Group recognised related share-based payment expense of RMB315,000 and a corresponding increase in capital reserve.

- Jianzhong Construction Technology was a limited liability company and was subsequently converted into a joint stock company with limited liability in June 2016. At the date of conversion, Jianzhong Construction Technology’s statutory reserve of RMB267,000 and retained profits of RMB3,643,000 were transferred to capital reserve.
- Pursuant to the shareholders’ resolution on 18 September 2017, the paid-in capital of Jianzhong Construction Technology was increased by RMB76,000,000. Mr. Xun Minghong injected a total amount of RMB190,000,000 to Jianzhong Construction Technology, and the premium of RMB114,000,000 arising from the capital injection was credited into capital reserve.
- Pursuant to the shareholders’ resolution on 5 December 2018, the paid-in capital of Jianzhong Construction Technology was increased by RMB37,000,000. Anhui Conch Venture Investment Co., Ltd. (“**Conch Venture Investment**”), injected a total amount of RMB103,600,000, and the premium of RMB66,600,000 arising from the capital injection was credited into capital reserve.

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- Pursuant to the shareholders’ resolution on 24 January 2019, the paid-in capital of Jianzhong Construction Technology was increased by RMB20,450,000. Fujian JingH Investment Partnership (Limited Partnership) (“**JingH Investment Partnership**”) and Fujian Furi Investment Partnership (Limited Partnership) (“**Furi Investment Partnership**”) injected RMB16,309,800 and RMB75,715,200 respectively. The premium of RMB71,575,000 arising from the capital injections was credited into capital reserve.

(ii) *Statutory reserve*

As stipulated by regulations in the PRC, the Company’s subsidiaries established and operated in the PRC are required to appropriate 10% of their profit after tax (after offsetting prior year losses), as determined in accordance with the PRC accounting standards, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

For the entities concerned, the statutory surplus reserve can be used to offset prior years’ losses, if any, and may be converted into capital provided that the balance of the reserve after such conversion is not less than 25% of the entity’s registered capital.

(iii) *Special reserve*

Pursuant to the relevant PRC regulations, with effect from 2012, a reserve for production safety is required to be set up and to be appropriated at a fixed rate on the revenue of the subsidiaries of the Group established in the PRC. The reserve can be utilised for expenses or capital expenditures incurred in connection with production safety.

(iv) *Other reserve*

On 7 May 2019, in connection with the Reorganisation, Mr. Xun Minghong, Conch Venture Investment, Furi Investment Partnership, JingH Investment Partnership and Jianzhong Investment Partnership (collectively the “then shareholders”) entered into an equity transfer agreement with Jianzhong Investment Consultancy, pursuant to which Mr. Xun Minghong, Conch Venture Investment, Furi Investment Partnership, JingH Investment Partnership and Jianzhong Investment Partnership transferred 63.82%, 21.96%, 9.99%, 2.15% and 2.08% equity interest in Jianzhong Construction Technology to Jianzhong Investment Consultancy, in exchange for 1% additional equity interest, i.e. 0.6382%, 0.2196%, 0.0999%, 0.0215% and 0.0208% equity interest in Jianzhong Investment Consultancy respectively.

On 16 May 2019, Jianzhong WOFE entered into an equity transfer agreement with the then shareholders to acquire the 1% equity interest in Jianzhong Investment Consultancy for an aggregate consideration of approximately RMB4,125,000. The difference between the historical carrying value of paid-in capital of Jianzhong Construction Technology amounting to RMB168,450,000 and the consideration payable to the then shareholders was transferred into other reserve.

(d) *Dividends*

No dividends were paid or declared by the Company or any of its subsidiaries during the Relevant Periods.

(e) *Capital management*

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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The Group monitors its capital structure on the basis of an adjusted net debt-to-equity ratio. For this purpose, net debt is defined as total debt (which includes loans and borrowings and payables for acquisition of equipment by instalments) less cash and cash equivalents.

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans and borrowings	14,782	140,879	140,405	140,707
Payables for acquisition of equipment by instalments	30,585	44,800	34,948	36,440
Sub-total	45,367	185,679	175,353	177,147
Less: cash and cash equivalents	(3,751)	(2,009)	(93,772)	(6,508)
Net debt	41,616	183,670	81,581	170,639
Equity	55,345	312,894	556,988	712,498
Net debt to equity ratio	75.2%	58.7%	14.6%	23.9%

26 Financial risk management and fair values

Exposure to credit, liquidity, interest and currency risks arises in the normal course of the Group’s business. The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group’s credit risk is primarily attributable to trade receivables, bills receivable and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2016, 2017 and 2018 and 31 May 2019, 77.9%, 66.1%, 53.1 % and 65.8% of the total trade receivables and contract assets was due from the Group’s largest customer, and 99.5%, 85.6 %, 79.2% and 88.8% of the total trade receivables and contract assets was due from the Group’s five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are practically due within 90 or 180 days from the issuance of progress certificates. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables, bills receivable, contract assets and receivables under service concession arrangement at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance is not further distinguished between the Group’s different customer bases.

Bills receivable mainly represent commercial acceptance bills issued by reputable private corporations in the PRC and are normally matured within 6 or 12 months. The Group considers the expected credit loss of bills receivable is insignificant.

As receivables under service concession arrangement are due from local government authority with no history of default, the Group considers the credit risk for receivables under service concession arrangement to be insignificant.

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The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables and contract assets during the Relevant Periods:

As at 31 December 2016

	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	%	<i>RMB’000</i>	<i>RMB’000</i>
Current (not past due)	4.4	44,663	(1,983)
Less than 12 months past due	20.0	3,037	(607)
		<u>47,700</u>	<u>(2,590)</u>

As at 31 December 2017

	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	%	<i>RMB’000</i>	<i>RMB’000</i>
Current (not past due)	3.8	269,025	(10,355)
Less than 12 months past due	15.0	5,738	(859)
More than 12 months past due	21.6	2,110	(455)
		<u>276,873</u>	<u>(11,669)</u>

As at 31 December 2018

	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	%	<i>RMB’000</i>	<i>RMB’000</i>
Current (not past due)	3.5	448,696	(15,555)
Less than 12 months past due	12.4	90,099	(11,168)
More than 12 months past due	25.6	3,091	(792)
		<u>541,886</u>	<u>(27,515)</u>

As at 31 May 2019

	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
	%	<i>RMB’000</i>	<i>RMB’000</i>
Current (not past due)	2.4	677,969	(16,065)
Less than 12 months past due	14.0	72,217	(10,112)
More than 12 months past due	25.6	20,813	(5,334)
		<u>770,999</u>	<u>(31,511)</u>

In addition to above provision matrix, the Group has made individual loss allowance for a certain customer. As at 31 December 2017 and 2018 and 31 May 2019, the accumulated individual loss allowance was RMB387,000, RMB686,000 and RMB686,000 with the carrying amounts before loss allowance of RMB387,000, RMB686,000 and RMB686,000, respectively.

Expected loss rates are based on historical credit loss experience over the past years or loss rates of comparable companies with published financials when there was no sufficient historical experience. These rates are adjusted for factors that are specific to the debtors, current conditions and the Group’s view of economic conditions over the expected lives of the trade receivables and contract assets.

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Movement in the loss allowance account in respect of trade receivables and contract assets during the Relevant Periods is as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year/period	143	2,590	12,056	28,201
Impairment losses recognised	2,447	9,466	16,145	3,996
Balance at the end of the year/period	2,590	12,056	28,201	32,197

(b) Liquidity risk

The Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining scheduled maturities at the end of the reporting period of the Group’s financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	As at 31 December 2016				Carrying amount on consolidated statements of financial position
	Contractual undiscounted cash flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	67,727	–	–	67,727	67,727
Bills payable	5,772	–	–	5,772	5,772
Payables to suppliers of property, plant and equipment	55,364	–	–	55,364	55,364
Payables for acquisition of equipment by instalments	17,246	11,107	4,700	33,053	30,585
Other payables and accruals	4,646	–	–	4,646	4,646
Interest payable	16	–	–	16	16
Amounts due to related parties	72,956	–	–	72,956	72,956
Bank loans	13,768	–	–	13,768	13,000
Lease liabilities	1,854	–	–	1,854	1,782
	239,349	11,107	4,700	255,156	251,848

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As at 31 December 2017

	Contractual undiscounted cash flow				Carrying amount on consolidated statements of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade payables	145,501	–	–	145,501	145,501
Bills payable	9,866	–	–	9,866	9,866
Payables to suppliers of property, plant and equipment	66,719	–	–	66,719	66,719
Payables for acquisition of equipment by instalments	30,263	15,922	2,325	48,510	44,800
Other payables and accruals	7,145	–	–	7,145	7,145
Interest payable	68	–	–	68	68
Amounts due to related parties	1,951	–	–	1,951	1,951
Bank loans	89,877	1,912	22,174	113,963	109,187
Lease liabilities	754	701	719	2,174	1,946
Obligations arising from sale and leaseback transactions	11,185	10,440	4,950	26,575	23,246
Other borrowings	6,500	–	–	6,500	6,500
	<u>369,829</u>	<u>28,975</u>	<u>30,168</u>	<u>428,972</u>	<u>416,929</u>

As at 31 December 2018

	Contractual undiscounted cash flow				Carrying amount on consolidated statements of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade payables	265,884	–	–	265,884	265,884
Bills payable	19,851	–	–	19,851	19,851
Payables to suppliers of property, plant and equipment	70,920	–	–	70,920	70,920
Payables for acquisition of equipment by instalments	31,642	6,287	–	37,929	34,948
Other payables and accruals	17,180	–	–	17,180	17,180
Interest payable	105	–	–	105	105
Obligation for bills endorsed with recourse	58,145	–	–	58,145	58,145
Amounts due to related parties	13,872	–	–	13,872	13,872
Bank loans	125,925	–	–	125,925	122,751
Lease liabilities	2,783	738	420	3,941	3,693
Obligations arising from sale and leaseback transactions	10,440	4,951	–	15,391	13,961
	<u>616,747</u>	<u>11,976</u>	<u>420</u>	<u>629,143</u>	<u>621,310</u>

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As at 31 May 2019

	Contractual undiscounted cash flow				Carrying amount on consolidated statements of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade payables	220,236	-	-	220,236	220,236
Bills payable	53,786	-	-	53,786	53,786
Payables to suppliers of property, plant and equipment	45,208	-	-	45,208	45,208
Payables for acquisition of equipment by instalments	26,569	11,108	2,870	40,547	36,440
Other payables and accruals	25,669	-	-	25,669	25,669
Interest payable	643	-	-	643	643
Obligation for bills endorsed with recourse	69,237	-	-	69,237	69,237
Amounts due to related parties	4,125	-	-	4,125	4,125
Bank loans	130,308	-	-	130,308	127,434
Lease liabilities	2,932	558	233	3,723	3,559
Obligations arising from sale and leaseback transactions	9,642	962	-	10,604	9,714
	<u>588,355</u>	<u>12,628</u>	<u>3,103</u>	<u>604,086</u>	<u>596,051</u>

(c) Interest rate risk

The Group’s interest rate risk arising primarily from the bank loans, lease liabilities, payables for acquisition of equipment by instalments and obligations arising from sale and leaseback transactions. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group’s borrowings at the end of each reporting period:

	As at 31 December 2016	
	Effective interest rate	
	%	RMB'000
Fixed rate borrowings:		
Lease liabilities	6.9	1,782
Bank loans	6.5–7.2	13,000
Payables for acquisition of equipment by instalments	6.0	30,585
Total borrowings		<u>45,367</u>
Fixed rate borrowings as a percentage of total borrowings		<u>100%</u>

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As at 31 December 2017		
	Effective interest rate	
	%	RMB'000
Fixed rate borrowings:		
Lease liabilities	6.9	1,946
Obligations arising from sale and leaseback transactions	6.9	23,246
Bank loans	7.2	13,000
Payables for acquisition of equipment by instalments	7.2	44,800
		82,992
Variable rate borrowings:		
Bank loans	4.6–6.9	96,187
Total borrowings		179,179
Fixed rate borrowings as a percentage of total borrowings		46.3%

As at 31 December 2018		
	Effective interest rate	
	%	RMB'000
Fixed rate borrowings:		
Lease liabilities	6.9	3,963
Obligations arising from sale and leaseback transactions	7.2	13,961
Bank loans	7.2–7.8	57,437
Payables for acquisition of equipment by instalments	7.2	34,948
		110,309
Variable rate borrowings:		
Bank loans	5.2–6.1	65,314
Total borrowings		175,623
Fixed rate borrowings as a percentage of total borrowings		62.8%

As at 31 May 2019		
	Effective interest rate	
	%	RMB'000
Fixed rate borrowings:		
Lease liabilities	6.9	3,559
Obligations arising from sale and leaseback transactions	7.2	9,714
Bank loans	7.5–7.8	69,000
Payables for acquisition of equipment by instalments	7.2	36,440
		118,713
Variable rate borrowings:		
Bank loans	5.2	58,434
Total borrowings		177,147
Fixed rate borrowings as a percentage of total borrowings		67.0%

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(ii) *Sensitivity analysis*

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instrument, a change in interest rates at the reporting date would not affect the profit or loss.

In respect of the exposure to cash flow interest rate risk arising from floating rate bank loans held by the Group at the end of the reporting period, the impact on the Group’s profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. As at 31 December 2016, 2017 and 2018 and 31 May 2019, it is estimated that a general increase/decrease of 5% in interest rates, with all other variables held constant, would have decreased/increased the Group’s profit after tax and retained profits by approximately RMB nil, RMB3,607,000, RMB2,449,000 and RMB2,191,000. The analysis is performed on a consistent basis during the Relevant Periods.

(d) *Currency risk*

The Group had no significant foreign exchange exposure as substantially all of the Group’s transactions are denominated in RMB.

(e) *Fair value*

The carrying amounts of the Group’s financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016, 2017, 2018 and 31 May 2019.

27 **Capital commitments**

Capital commitments outstanding at 31 December 2016, 2017, 2018 and 31 May 2019 not provided for in this Historical Financial Information were as follows:

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contracted for	2,459	11,160	5,093	906

28 **Material related party transactions**

In addition to the related party information disclosed elsewhere in this Historical Financial Information, the Group entered into the following material related party transactions during the Relevant Periods.

During the Relevant Periods, the directors are of the view that the following are related parties of the companies now comprising the Group:

<i>Name of party</i>	<i>Relationship</i>
Mr. Xun Minghong	Controlling Shareholder
Ms. Zheng Ping	Executive director of the Company
Fujian Runjiang Industrial Group Limited (“ Fujian Runjiang ”)(福建省潤江實業集團有限公司) *	Entity controlled by the Controlling Shareholder
Mingxin Construction Material Trading Co., Ltd. (Fuzhou Development Region) (“ Mingxin Construction ”)(福州開發區名信建材貿易有限公司) *	Entity controlled by the Controlling Shareholder

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Fujian Jianzhong Labour Engineering Co., Ltd. (“ Jianzhong Labour Engineering ”) (福建省建中勞務工程有限公司) *	Entity controlled by the Controlling Shareholder
Fujian Jianzhong Decoration Engineering Co., Ltd. (“ Jianzhong Decoration ”) (福建省建中裝修裝飾工程有限公司) *	Entity controlled by the Controlling Shareholder
Fujian Zhonghengke Construction Co., Ltd. (“ Zhonghengke Construction ”) (福建中恒科建設工程有限公司) [#] *	Entity controlled by the Controlling Shareholder before August 2016
Fujian Runzhong Industry Co., Ltd. (“ Runzhong Industry ”) (福建省潤中實業有限公司) *	Entity controlled by the close family member of the Controlling Shareholder
Fuzhou Yuhe Technology Co., Ltd. (“ Yuhe Technology ”) (福建雨禾科技有限公司) *	Entity controlled by the close family member of the Controlling Shareholder
Xiapu Jinghai Property Co., Ltd. (“ Xiapu Property ”) (霞浦晶海置業有限公司) *	Entity controlled by the Controlling Shareholder
Conch Venture Investment (安徽海螺創業投資有限責任公司) *	Entity that has significant influence over the Group
Conch Venture Henghai Investment (Zhuhai) Co., Ltd. (“ Conch Venture Henghai ”) (海創橫海投資(珠海)有限公司) *	Entity controlled by Conch Venture Investment

* The English translation of the companies’ names are for reference only. The official names of these companies are in Chinese.
The entity was previously known as Fujian Jianzhong Construction Engineering Co., Ltd. (福建省建中建築工程有限公司), and changed its name in September 2017.

(a) **Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Short-term employee benefits	420	1,218	1,830	398	428
Contributions to retirement benefit scheme	8	15	19	8	10
Share-based payment expenses	180	–	–	–	–
	<u>608</u>	<u>1,233</u>	<u>1,849</u>	<u>406</u>	<u>438</u>

Total remuneration is included in “staff costs” (Note 6(b)).

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(b) *Related party transactions*

	Year ended 31 December			Five months ended 31 May	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Recurring transactions:					
Purchase of materials from					
– Fujian Runjiang	–	8,618	38,395	13,690	3,391
Utilities paid/payable to:					
– Fujian Runjiang	94	538	527	234	197
Rental expenses paid/payable for short-term lease of factory and office building to:					
– Fujian Runjiang	–	213	964	534	–
– Conch Venture Henghai	–	–	–	–	549
Non-recurring transactions:					
Purchase of labour service from:					
– Jianzhong Labour Engineering	17,508	–	–	–	–
Revenue received/receivable from leasing of construction machinery, equipment and tools to:					
– Fujian Runjiang	(2,400)	(800)	–	–	–
– Jianzhong Labour Engineering	–	–	(1,378)	(78)	(1,284)
Provision of construction service to:					
– Xiapu Property	–	–	(10,092)	(18)	(2,363)
Advances from related parties:					
– Fujian Runjiang	128,515	97,040	201,764	58,664	22,528
– Mingxin Construction	87,195	123,411	52,500	20,000	2,724
– Mr. Xun Minghong	32,752	25,360	7,400	7,400	–
– Zhonghengke Construction	3,190	–	–	–	–
	251,652	245,811	261,664	86,064	25,252
Repayment from a related party:					
– Runzhong Industry	1,458	–	–	–	–
Repayments to related parties:					
– Fujian Runjiang	96,122	139,996	168,300	39,000	29,000
– Mingxin Construction	93,725	121,915	51,957	–	1,000
– Mr. Xun Minghong	40,911	55,474	–	–	7,400
– Zhonghengke Construction	7,610	–	–	–	–
– Jianzhong Decoration	100	–	–	–	–
– Ms. Zheng Ping	832	–	–	–	–
	239,300	317,385	220,257	39,000	37,400
Commercial bills endorsed to related parties:					
– Fujian Runjiang	–	–	27,447	9,413	–
– Mingxin Construction	–	–	3,763	–	–
	–	–	31,210	9,413	–

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(c) *Balances with related parties*

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Group had the following balances with related parties:

(i) *Amounts due from related parties*

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade-related				
Trade receivables				
– Fujian Runjiang	1,389	1,362	–	–
– Xiapu Property	–	–	6,292	–
– Jianzhong Labour Engineering	–	–	1,495	2,712
	<u>1,389</u>	<u>1,362</u>	<u>7,787</u>	<u>2,712</u>
Contract assets				
– Xiapu Property	–	–	4,033	1,494
Prepayment				
– Fujian Runjiang	–	–	–	2,102
Other receivables				
– Fujian Runjiang	270	–	–	–
– Conch Venture Investment	–	–	300	300
	<u>–</u>	<u>–</u>	<u>300</u>	<u>300</u>
Non-trade related				
Other receivables				
– Mingxin Construction	–	–	1,724	–
	<u>–</u>	<u>–</u>	<u>1,724</u>	<u>–</u>

As at 31 December 2018, the trade receivables from related parties represented receivables from the provision of foundation work to Xiapu Property and leasing of certain construction tools to Jianzhong Labour Engineering. These transactions were entered into on normal business terms and the fees charged were determined with reference to the market price.

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(ii) Amounts due to related parties

	As at 31 December			As at 31 May
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade related				
Trade payables				
– Fujian Runjiang ······	–	8,618	13	–
– Yuhe Technology ······	–	1	–	–
– Jianzhong Labour Engineering ······	17,508	–	–	–
	<u>17,508</u>	<u>8,619</u>	<u>13</u>	<u>–</u>
Other payables				
– Fujian Runjiang ······	–	263	1,871	2,136
– Conch Venture Henghai ···	–	–	–	549
	<u>–</u>	<u>263</u>	<u>1,871</u>	<u>2,685</u>
Lease liabilities				
– Fujian Runjiang ······	1,782	–	1,549	1,549
– Mingxin Construction ····	–	1,085	1,093	1,093
	<u>1,782</u>	<u>1,085</u>	<u>2,642</u>	<u>2,642</u>
Non-trade related				
Other payables				
– Fujian Runjiang ······	43,024	455	6,472	–
– Mingxin Construction ····	–	1,496	–	–
– Mr. Xun Minghong ······	29,932	–	7,400	2,633
– Conch Venture Investment ······	–	–	–	906
– Furi Investment Partnership ······	–	–	–	412
– JingH Investment Partnership ······	–	–	–	88
– Jianzhong Investment Partnership ······	–	–	–	86
	<u>72,956</u>	<u>1,951</u>	<u>13,872</u>	<u>4,125</u>

As at 31 December 2016, trade payables to related parties represented amount due to Jianzhong Labour Engineering for the labour subcontracting service. The service fees charged were determined with reference to amounts charged by third-party labour service companies.

As at 31 December 2017, trade payables to related parties mainly represented amount due to Fujian Runjiang for purchase of materials. The transactions were entered into on normal business terms.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the carrying amounts of right-of-use assets related to leases from related parties were RMB1,418,000, RMB1,066,000, RMB2,304,000 and RMB1,482,000 respectively, which were included in the carrying amount of property, plant and equipment in Note 11(ii).

As at 31 May 2019, the amounts due to related parties were payables to the then shareholders arising from Reorganisation (Note 25(c)(iv)) and were fully settled in July 2019.

The amounts due from/to related parties are unsecured, interest-free and repayable on demand. The directors of the Company have confirmed that the non-trade nature balances with related parties will be settled before [REDACTED] of the Company’s shares on the Stock Exchange.

During the Relevant Periods, Fujian Runjiang provided guarantees to the Group for acquisition of equipment by instalments. As at 31 December 2016, 2017 and 2018 and 31 May 2019, payables for acquisition of equipment by instalments of RMB nil, RMB16,433,000, RMB17,390,000 and RMB22,322,000 respectively, were guaranteed by Fujian Runjiang.

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During the five months ended 31 May 2019, the Group entered into some purchase agreements with guarantees provided by the Controlling Shareholder of the Group and Jianzhong Decoration to get more beneficial payment terms. The maximum guarantee amount was RMB12,000,000. The Controlling Shareholder and Jianzhong Decoration agreed that, if the Group failed to fulfil its obligations to settle, they would make payment within the maximum guarantee amount. As at 31 May 2019, trade payables of RMB7,958,000 were guaranteed under this arrangement.

Guarantees provided by the Controlling Shareholder and other related parties relating to bank loans and obligations arising from sale and leaseback transactions were disclosed in Note 21(a) and Note 21(c) respectively.

The directors of the Company have confirmed that, all guarantees provided by related parties will be released before the [REDACTED] of the Company’s shares on the Stock Exchange.

29 Immediate and ultimate controlling party

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the directors considered the ultimate controlling shareholder of the Group to be Mr. Xun Minghong. As at 31 May 2019, the immediate controlling shareholder of the Group is MHX Investment Limited, which was incorporated in the BVI and does not produce financial statements available for public use.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting periods beginning on or after
Revised Conceptual Framework for Financial Reporting 2018	1 January 2020
HKFRS 3 (Revised), Business Combinations	1 January 2020
HKAS 1 (Revised), Presentation of financial statements	1 January 2020
HKAS 8, Accounting policies, changes in accounting estimates and errors	1 January 2020
HKFRS 17, Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on Group’s results of operations and financial position.

31 Subsequent events

There has been no significant event subsequent to the Relevant Periods.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 May 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants’ Report prepared by KPMG, Certified Public Accountants, Hong Kong, the Company’s reporting accountants as set forth in Appendix I to this document, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group as if the [REDACTED] had taken place on 31 May 2019.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets of the Group had the [REDACTED] been completed as at 31 May 2019 or at any future dates.

	Consolidated net tangible assets of the Group as at 31 May 2019 ⁽¹⁾	Estimated net [REDACTED] from the [REDACTED] ⁽²⁾	Unaudited pro forma adjusted net tangible assets as at 31 May 2019	Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], after a [REDACTED] [REDACTED] of 10% . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The consolidated net tangible assets of the Group as at 31 May 2019 is arrived at after deducting intangible assets of RMB781,000 from the consolidated net assets of the Group of RMB712,498,000 as at 31 May 2019, as shown in the Accountants’ Report as set out in Appendix I to this document.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], being the low end price and high end price of the indicative [REDACTED] range respectively, and also based on an [REDACTED] of HK\$[REDACTED] per [REDACTED], after a [REDACTED] of 10%, after deduction of the [REDACTED] commissions and other [REDACTED] related expenses payable by the Group (excluding RMB[REDACTED] expenses which had been charged to the consolidated statement of profit or loss and other comprehensive income up to 31 May 2019). For illustrative purpose, the estimated net [REDACTED] have been converted from Hong Kong dollar into Renminbi at the exchange rate of HK\$1.00 to RMB0.8981, the exchange rate set by the PBOC prevailing on 20 August 2019. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.
- (3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2019.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to the preceding paragraphs and on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue, assuming that the [REDACTED] and the Capitalisation Issue have been completed on 31 May 2019, but does not take into account of any options which may be granted under the Shares Option Scheme, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates. For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets per share are converted from Renminbi into Hong Kong dollar at exchange rate of HK\$1.00 to RMB0.8981, the exchange rate set by the PBOC prevailing on 20 August 2019. No representation is made that the Hong Kong dollar amounts have been, could have been, or may be converted to Renminbi, or vice versa, at the rate of any other rates at all.

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B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group’s pro forma financial information for the purpose in this document.



INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF JIANZHONG CONSTRUCTION TECHNOLOGY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Jianzhong Construction Technology Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 May 2019 and related notes as set out in Part A of Appendix II to the document dated [date] (the “**Document**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Document.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed [REDACTED] of the ordinary shares of the Company (the “[REDACTED]”) on the Group’s financial position as at 31 May 2019 as if the [REDACTED] had taken place at 31 May 2019. As part of this process, information about the Group’s financial position as at 31 May 2019 has been extracted by the Directors from the Group’s historical financial information included in the Accountants’ Report as set out in Appendix I to the Document.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 May 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net [REDACTED] from the issuance of the Company’s shares, the application of those net [REDACTED], or whether such use will actually take place as described in the section headed “Future Plans and [REDACTED]” in the Document.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants
Hong Kong

[Date]

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SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 February 2019 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [Date]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two

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persons together holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor

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shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

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(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

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(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

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The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

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The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An Executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

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(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

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There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the **[REDACTED]** or sub-**[REDACTED]** of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

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(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

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(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

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Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

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Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

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The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

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- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

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(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

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(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 5 February 2019 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;

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- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

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In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

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- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 20 February 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon

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service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

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When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

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(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 February 2019, under the Cayman Companies Law. Our registered address is at Suite #4–210, Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 32311, Grand Cayman KY1–1209, Cayman Islands. We [have registered] a place of business in Hong Kong at [•] and [have been registered] as a non-Hong Kong company under Part 16 of the Companies Ordinance. [•] has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its registered place of business in Hong Kong set out above.

As we are incorporated in the Cayman Islands, our corporate structure, our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of Cayman Company Law are set out in Appendix III to this document.

2. Changes in authorised and issued share capital of our Company

As at the date of our incorporation, the authorised share capital of the Company was HK\$390,000 divided into 39,000,000 Shares of a par value of HK\$0.01 each.

On 5 February 2019, one subscriber’s Share was transferred to MHX Investment BVI and 6,381 Shares, 2,196 Shares, 999 Shares and 423 Shares were issued and allotted to MHX Investment BVI, CV Construction BVI, Furi Investment BVI and JingH Investment BVI, respectively.

Immediately following the completion of the [REDACTED] and the Capitalisation Issue but without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$[REDACTED] divided into [REDACTED] Shares of HK\$0.01 each and the issued share capital of our Company will be HK\$[REDACTED], divided into [REDACTED] Shares, all fully paid or credited as fully paid.

Save as disclosed herein and in the paragraph headed “Written resolutions of our shareholders passed on [•]”, there has been no alteration in the share capital of our Company since its incorporation.

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3. Written resolutions of our Shareholders passed on [•]

Pursuant to the written resolutions of the Shareholders of our Company passed on [•], our Shareholders resolved that (among others):

- (a) the authorised share capital of our Company will be increased from 39,000,000 Shares to [REDACTED] Shares by the creation of an additional [REDACTED] Shares;
- (b) Our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon [REDACTED];
- (c) subject to the conditions of the [REDACTED] as set out in this document being fulfilled and the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as result of the waiver of any condition(s) thereunder the [REDACTED] for itself and on behalf of the [REDACTED] and such obligations not having been terminated in accordance with their respective terms:
 - (i) the [REDACTED], the [REDACTED] and the Capitalisation Issue were approved, subject to such modifications as our Directors (or any committee established by the Board) may in their sole discretion determine, and our Directors or any committee established by the Board were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] and to do all such things as they consider necessary to give effect to the [REDACTED] and the [REDACTED];
 - (ii) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warranties or similar rights to subscribe for Shares or such convertible securities and to make or grant general offers, agreements or options which would or might require the exercise of such powers other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; (c) a specific authority granted by the shareholders in general; (d) the exercise of any options which have been or may be granted under the Share Option Scheme; (e) the [REDACTED] and/or (f) the Capitalisation Issue, with an aggregate number of not exceeding the aggregate of (i) 20.0% of the total number of Shares in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue; and (ii) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (iii) below, such mandate to remain effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the expiration of the period within which we are required by any applicable law or Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by any ordinary resolution of the shareholders in the general meeting (the "**Applicable Period**");

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- (iii) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules, with a total nominal value of not more than 10.0% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue, such mandate to remain effect during the Applicable Period; and
- (iv) the general unconditional mandate mentioned in paragraph (ii) above to be extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate to repurchase Shares referred to in paragraph (iii) above, provided that such extended amount shall not exceed 10.0% of the aggregate number of Shares in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue.
- (d) conditional upon the [REDACTED] Committee granting the [REDACTED] of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme and the commencement of trading of the Shares on the Stock Exchange, the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to grant options to subscribe for Shares, and to allot, issue and deal with the Shares pursuant to the exercise of the options granted under the Share Option Scheme, in accordance with the rules of the Share Option Scheme.

4. Our subsidiaries

Certain details of our subsidiaries are set out in Appendix I to this document. Save as set out in Appendix I to this document, we do not have any other subsidiaries.

Save as disclosed in “History, Reorganisation and Corporate Structure”, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

5. Corporate Reorganisation

For details of the Reorganisation which was effected for the [REDACTED], see “History, Reorganisation and Corporate Structure”.

6. Repurchase of Shares

This paragraph sets out information required by the Stock Exchange to be included in this document relating to the repurchase by our Company of our own securities.

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(a) Provision of the Listing Rules

The Listing Rules permit a company with a primary [REDACTED] on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchase by our Company may be made out of the profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Articles and Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Articles and Cayman Companies Law, out of capital.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker

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appointed by it to effect a repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchases

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person and a core connected person is prohibited from knowingly selling his securities to the company.

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(b) Reasons for repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association, the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this document) in the event that the repurchase mandate granted to our Directors as set forth in paragraph (iii) of "Written resolutions of our shareholders passed on [•]" above were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate granted to our Directors as set forth in paragraph (iii) of "Written resolutions of our shareholders passed on [•]" above, on the basis of [REDACTED] Shares in issue immediately following the completion of the Capitalisation Issue and [REDACTED] (without taking into accounts of any Shares which may be issued upon the exercise of any options which have been or may be granted under the Share Option Scheme) could accordingly result in up to 62,500,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting; or
- (iii) the date on which the said repurchase mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

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None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their respective close associates has any present intention to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the said repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the said repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, especially MHX Investment BVI, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the said repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25.0% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the said repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this document and are or may be material:

- (a) the Share Subscription Agreement dated 26 November 2018 entered into between the [REDACTED] and Jianzhong Construction Technology in relation to the subscription of 37,000,000 new shares of Jianzhong Construction Technology;
- (b) the sale and purchase agreement dated 7 May 2019 entered into among Mr. Xun MH, the [REDACTED], Furi Investment Partnership, JingH Investment Partnership, Jianzhong Investment Partnership and Jianzhong Investment Consultancy in relation to the acquisition by Jianzhong Investment Consultancy of the entire issued share capital of Jianzhong Construction Technology;
- (c) the sale and purchase agreement dated 16 May 2019 entered into among Mr. Xun MH, the [REDACTED], Furi Investment Partnership, JingH Investment Partnership, Jianzhong Investment Partnership and Jianzhong WOFE in relation to the acquisition by Jianzhong WOFE of 1.0% of the then shares of Jianzhong Investment Consultancy;
- (d) the Deed of Indemnity;
- (e) the Deed of Non-competition; and
- (f) the [REDACTED].






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2. Intellectual Property Rights

(a) Trademarks – registered

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1.		Jianzhong Construction Technology	PRC	6 ¹	19483119	14 July 2017 – 13 July 2027
2.		Jianzhong Construction Technology	PRC	7 ²	19483567	14 July 2017 – 13 July 2027
3.		Jianzhong Construction Technology	PRC	19 ³	28129001	28 November 2018 – 27 November 2028
4.		Jianzhong Technology (Pingtan)	PRC	37 ⁴	27859772	7 November 2018 – 6 November 2028
5.		Jianzhong Technology (Pingtan)	PRC	42 ⁵	27859070	7 April 2019 – 6 April 2029

Note 1: Class 6 mainly includes unwrought and partly wrought common metals as well as certain goods made of common metals.

Note 2: Class 7 mainly includes machines and machine tools, motors and engines.

Note 3: Class 19 mainly includes materials which are not made of metal and are purposed for building and construction.

Note 4: Class 37 mainly includes services in the construction or making of permanent buildings, as well as services in the restoration of objects to their original condition or in their preservation.

Note 5: Class 42 mainly includes services in relation to theoretical and practical aspects of complex fields of activities which are provided by members of professions.

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(b) Trademarks – applied

As at the Latest Practicable Date, we have applied for the registration of the following trademarks, registration of which has not yet been granted which we consider to be material to our business:

No.	Trademark	Applicant	Place of application	Class	Application number	Application date
1.	JIANZHONG	Our Company	HK	6, 7, 37, 42 ¹	304915738	7 May 2019
2.		Our Company	HK	6, 7, 37, 42	304915765	7 May 2019
3.	A	Our Company	HK	6, 7, 37, 42	304915774	7 May 2019
	B					
4.		Jianzhong Construction Technology	PRC	37	19483752	30 March 2016
5.		Jianzhong Construction Technology	PRC	40 ⁷	28133370	15 December 2017
6.		Jianzhong Construction Technology	PRC	42	19483968	30 March 2016
7.		Jianzhong Construction Technology	PRC	39 ⁶	28116545	15 December 2017
8.		Jianzhong Construction Technology	PRC	36 ⁵	28112825	15 December 2017

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No.	Trademark	Applicant	Place of application	Class	Application number	Application date
9.		Jianzhong Construction Technology	PRC	12 ³	28313346	25 December 2017
10.		Jianzhong Construction Technology	PRC	9 ²	28313266	25 December 2017

- Note 1:* Class 6 mainly includes unwrought and partly wrought common metals as well as certain goods made of common metals.
 Class 7 mainly includes machines and machine tools, motors and engines.
 Class 37 mainly includes services in the construction or making of permanent buildings, as well as services in the restoration of objects to their original condition or in their preservation.
 Class 42 mainly includes services in relation to theoretical and practical aspects of complex fields of activities which are provided by members of professions.
- Note 2:* Class 9 mainly includes apparatus and instruments for scientific or research purposes, audiovisual and information technology equipment, as well as safety and life-saving equipment.
- Note 3:* Class 12 mainly includes vehicles and apparatus for the transport of people or goods by land, air or water.
- Note 4:* Class 19 mainly includes materials which are not made of metal and are purposed for building and construction.
- Note 5:* Class 36 includes, but is not limited to, hire or lease purchase financing.
- Note 6:* Class 39 mainly includes services for transport, packaging and storage of goods, as well as the corresponding travel arrangement.
- Note 7:* Class 40 mainly includes services rendered by the mechanical or chemical processing, transformation or production of objects or inorganic or organic substances.

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(c) Patents – registered

As of the Latest Practicable Date, we own the following patents which we consider to be material to our business:

No.	Patent Name	Type	Place of Registration	Patent Holder	Registration Date	Registration Number
1.	A kind of anti-toppling device for attached lifting scaffold (一種附著式升降腳手架的下防傾裝置)	Utility model	PRC	Jianzhong Construction Technology	20 July 2016	ZL201620133777.X
2.	A kind of cantilever scaffold for the outer wall of elevator shaft (一種電梯井外牆懸挑架)	Utility model	PRC	Jianzhong Construction Technology	6 July 2016	ZL201620133779.9
3.	A kind of lifting pedestal for attached lifting scaffold (一種附著式升降腳手架的升降底座)	Utility model	PRC	Jianzhong Construction Technology	29 June 2016	ZL201620133778.4
4.	A kind of attached beam hinge for tower crane anchor rod (一種塔吊錨固杆附著梁鉸接件)	Utility model	PRC	Jianzhong Construction Technology	29 June 2016	ZL201620133776.5
5.	A kind of scaffold and telescopic beam cover for scaffold truss (一種腳手架以及腳手架桁架伸縮梁套)	Utility model	PRC	Jianzhong Construction Technology	6 July 2016	ZL201620133765.7
6.	Outer steel mesh device for attached lifting scaffold (附著式腳手架外型鋼網裝置)	Utility model	PRC	Jianzhong Construction Technology	16 March 2018	ZL201720819246.0
7.	A kind of rotatable cable tray (一種可旋轉式橋架)	Utility model	PRC	Jianzhong Construction Technology	16 March 2018	ZL201720931080.1
8.	A kind of attached adjustment device for tower crane hinge (一種塔吊鉸接附著調節裝置)	Utility model	PRC	Jianzhong Construction Technology	16 March 2018	ZL201720996370.4
9.	A kind of wire rope steering device through wall holes (一種洞口鋼絲繩轉向裝置)	Utility model	PRC	Jianzhong Construction Technology	16 March 2018	ZL201721011830.X
10.	Internal expansion cutting device for PHC tubular pile (PHC管樁內擴式切割設備)	Utility model	PRC	Jianzhong Construction Technology	23 March 2018	ZL201720940861.7
11.	A kind of work platform (一種作業平臺)	Utility model	PRC	Jianzhong Construction Technology	23 March 2018	ZL201720996376.1
12.	A kind of mobile formwork system (一種移動模架體系)	Utility model	PRC	Jianzhong Construction Technology	10 April 2018	ZL201721171890.8
13.	A kind of automatic adjustment guide device for mast climber platform (一種導架式爬升平臺的自動調節導向裝置)	Utility model	PRC	Jianzhong Construction Technology	1 May 2018	ZL201721327421.0
14.	A kind of roller frame (一種滾輪架)	Utility model	PRC	Jianzhong Construction Technology	10 August 2018	ZL201720942008.9

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No.	Patent Name	Type	Place of Registration	Patent Holder	Registration Date	Registration Number
15.	River sludge sampling device (河道淤泥取樣裝置)	Utility model	PRC	Jianzhong Construction Technology	20 April 2018	ZL201721283129.3
16.	A kind of drill pipe holder for triaxial mixing pile (一種三軸攪拌樁的鑽杆保持架)	Utility model	PRC	Jianzhong Construction Technology	24 July 2018	ZL201720942006.X
17.	A kind of connection fixture for attached lifting scaffold (一種附著式腳手架連接固定裝置)	Utility model	PRC	Jianzhong Construction Technology	31 August 2018	ZL201721143530.7
18.	A kind of assemblable power head for river dredging (可裝配式河道清淤動力頭)	Utility model	PRC	Jianzhong Construction Technology	26 June 2018	ZL201721283130.6
19.	Mixing device for sludge curing agent (淤泥固化劑混合裝置)	Utility model	PRC	Jianzhong Construction Technology	26 June 2018	ZL201721283137.8
20.	A kind of vacuum dewatering device for urban river sludge (一種城市河道淤泥真空脫水裝置)	Utility model	PRC	Jianzhong Construction Technology	10 August 2018	ZL201721442882.2
21.	A kind of multi-sized device for combined steel mold of concrete prefabricated pile (一種多尺寸預製板組合鋼模的裝置)	Utility model	PRC	Jianzhong Construction Technology	31 August 2018	ZL201820018155.1
22.	A kind of storage shelf for section steel at factory (一種廠房型材儲物貨架)	Utility model	PRC	Jianzhong Construction Technology	12 October 2018	ZL201720818035.5
23.	Support frame structure for attached scaffold (附著式腳手架的支撐架結構)	Utility model	PRC	Jianzhong Construction Technology	18 September 2018	ZL201720849277.0
24.	A kind of protection roof for lifting work platform (一種施工升降平臺防護頂棚)	Utility model	PRC	Jianzhong Construction Technology	18 September 2018	ZL201720849296.3
25.	A kind of non-perforated formwork truss for one-sided wall (一種單側牆無穿孔支模桁架)	Utility model	PRC	Jianzhong Construction Technology	26 October 2018	ZL201721143529.4
26.	A kind of suspended platform of different shapes (一種吊籃異形平臺)	Utility model	PRC	Jianzhong Construction Technology	7 December 2018	ZL201720847206.7
27.	A kind of rotary drill with cone bit (一種旋挖牙輪筒鑽)	Utility model	PRC	Jianzhong Construction Technology	7 December 2018	ZL201820733344.7
28.	A kind of cutting structure in pipe jacking machine for improving mudstone crushing (一種優化泥石破碎能力的頂管機切削結構)	Utility model	PRC	Jianzhong Engineering Equipment	29 January 2019	ZL201820970352.3
29.	A kind of discharging structure in screw conveyer for the tunnelling structure of pipe jacking machine (一種頂管機掘進結構的絞龍排料結構)	Utility model	PRC	Jianzhong Engineering Equipment	29 January 2019	ZL201820970354.2

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No.	Patent Name	Type	Place of Registration	Patent Holder	Registration Date	Registration Number
30.	Pipe jacking machine based on earth pressure balance (基於土壓平衡的頂管機)	Utility model	PRC	Jianzhong Engineering Equipment	29 January 2019	ZL201820996839.9
31.	A kind of adjustable connection device between the cutter block and the front end of pipe jacking machine (一種頂管機刀座與前端間的可調節連接裝置)	Utility model	PRC	Jianzhong Engineering Equipment	29 January 2019	ZL201820997480.7
32.	Cutter head structure of pipe jacking machine (頂管機掘進刀盤結構)	Utility model	PRC	Jianzhong Engineering Equipment	29 January 2019	ZL201821121688.9
33.	Formwork applied to the window groove (應用於窗戶企口壓槽的模板)	Utility model	PRC	Jianzhong Engineering Equipment	22 February 2019	ZL201821069793.2
34.	Section steel made by aluminium alloy formwork (300-250) (鋁合金模板型材((300-250))	Design	PRC	Jianzhong Engineering Equipment	31 August 2018	ZL201830157890.6
35.	Section steel made by aluminium alloy formwork (400-350) (鋁合金模板型材((400-350))	Design	PRC	Jianzhong Engineering Equipment	31 August 2018	ZL201830158554.3
36.	A kind of stirring device for river sludge solidification (一種用於河道淤泥固化的攪拌裝置)	Utility model	PRC	Jianzhong Engineering Equipment	26 March 2019	ZL201821128631.1
37.	A kind of trenching machine grab (一種成槽機抓鬥)	Utility model	PRC	Jianzhong Engineering Equipment	9 April 2019	ZL201821111374.0
38.	A kind of sand drill for flat ground with controllable opening and closing of bottom door (一種可控制底門開合的平地撈沙鑽)	Utility model	PRC	Jianzhong Engineering Equipment	26 March 2019	ZL201821111319.1
39.	A kind of water-proof joint box for underground diaphragm wall (一種防漏水的地下連續牆接頭箱)	Utility model	PRC	Jianzhong Engineering Equipment	26 March 2019	ZL201821111252.1
40.	A kind of suspended beam for bridge construction (一種用於橋樑施工的吊裝梁)	Utility model	PRC	Jianzhong Engineering Equipment	26 March 2019	ZL201821110714.8
41.	Cutter structure in pipe jacking machine applied to crushing rock (用於破碎岩石的頂管機刀盤結構)	Utility model	PRC	Jianzhong Engineering Equipment	12 April 2019	ZL201821122733.2
42.	A kind of sand drill for flat ground with drill bottom easily unlocked (一種便於解鎖鑽底的平地撈沙鑽)	Utility model	PRC	Jianzhong Engineering Equipment	22 March 2019	ZL201821115034.5
43.	A kind of aluminium formwork for construction (一種建築用鋁模板)	Utility model	PRC	Jianzhong Engineering Equipment	12 April 2019	ZL201821055644.0

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No.	Patent Name	Type	Place of Registration	Patent Holder	Registration Date	Registration Number
44	A kind of aluminium alloy formwork for connecting aluminium formwork and timber formwork (一種用於連接鋁模和木模的鋁模板)	Utility model	PRC	Jianzhong Engineering Equipment	12 April 2019	ZL201821055654.4

(d) Patents – applied

As at the Latest Practicable Date, we have applied for registration of the following patents, registration of which has not yet been granted which we consider to be material to our business:

No.	Patent Name	Type	Place of Application	Applicant	Application Date	Application Number
1	A kind of mobile steel corrector and steel profile correction method (一種可移動型鋼校正裝置及型鋼校正方法)	Invention	PRC	Jianzhong Construction Technology	14 March 2019	201910194549.1
2	A kind of baking-free brick made from river sludge and its preparation method (一種河道淤泥免燒磚及其製備方法)	Invention	PRC	Jianzhong Construction Technology	27 April 2018	201810391111.8
3	A solidification process for river sludge (河道淤泥固化處理工藝)	Invention	PRC	Jianzhong Construction Technology	30 September 2017	201710923533.0
4	A kind of mobile formwork system and its construction method (一種移動模架體系及其施工方法)	Invention	PRC	Jianzhong Construction Technology	13 September 2017	201710823185.X
5	A kind of formwork truss with single-sided support and its assembly method (一種單側支撐模架桁架及其裝配方法)	Invention	PRC	Jianzhong Construction Technology	7 September 2017	201710802337.8
6	A kind of wire rope steering device through wall holes and its using method (一種洞口鋼絲繩轉向裝置及其使用方法)	Invention	PRC	Jianzhong Construction Technology	14 August 2017	201710691962.X
7	Internal expansion cutting device for PHC tubular pile and its using method (PHC管樁內擴式切割設備及其使用方法)	Invention	PRC	Jianzhong Construction Technology	31 July 2017	201710640477.X
8	A kind of rotatable cable tray (一種可旋轉式橋架)	Invention	PRC	Jianzhong Construction Technology	28 July 2017	201710632781.X
9	A kind of aluminium formwork back brace system (一種鋁模背撐系統)	Invention	PRC	Jianzhong Construction Technology	30 November 2017	201711239371.5
10	A kind of assemblable precast concrete inspection well and its construction method (一種裝配式預製混凝土檢查井及其施工方法)	Invention	PRC	Jianzhong Construction Technology	28 November 2018	201811435855.1

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No.	Patent Name	Type	Place of Application	Applicant	Application Date	Application Number
11	A kind of checkgate for water level regulating and its method for regulating water level (一種調節水位的堰門裝置及其調節水位的方法)	Invention	PRC	Jianzhong Construction Technology	26 November 2018	201811419488.6
12	A kind of pipe rack aluminium formwork support system and the construction technology for pipe rack fabricated aluminium formwork (一種管廊鋁模支撐系統及管廊裝配式鋁模施工工藝)	Invention	PRC	Jianzhong Construction Technology	26 November 2018	201811420483.5
13	A kind of smart pipe jacking machine and its pipe jacking construction method (一種智能化頂管機及其頂管施工方法)	Invention	PRC	Jianzhong Construction Technology	26 November 2018	201811420464.2
14	A kind of Larssen steel sheet pile cofferdam and its construction method (一種拉森鋼板樁圍堰及其施工方法)	Invention	PRC	Jianzhong Construction Technology	30 November 2018	201811456759.5
15	A toilet structure composed of riser pre-embedded parts and devices and its construction method (由立管預埋件裝置組成的衛生間結構及其施工方法)	Invention	PRC	Jianzhong Construction Technology	26 November 2018	201811419450.9
16	A kind of pipe jacking structure and the method for spraying lubricant to its surrounding parts (一種頂管結構及頂管結構周邊潤滑注漿的方法)	Invention	PRC	Jianzhong Construction Technology	30 November 2018	201811457362.8
17	A kind of domestic sewage treatment process (一種生活污水處理工藝)	Invention	PRC	Jianzhong Construction Technology	30 November 2018	201811459435.7
18	A kind of construction technology for underground diaphragm wall in hard rock (一種極硬岩中地下連續牆的施工工藝)	Invention	PRC	Jianzhong Construction Technology	23 November 2018	201811409780.X
19	A kind of construction method for open caissons in soft rock geology (一種軟弱地質的沉井施工方法)	Invention	PRC	Jianzhong Construction Technology	28 November 2018	201811435897.5
20	A kind of construction method for large diameter rock-socketed piles (一種大口徑樁基嵌岩施工工藝)	Invention	PRC	Jianzhong Construction Technology	30 November 2018	201811459362.1
21	A kind of construction method for foundation pit support with triaxial mixing pile (一種採用三軸攪拌樁機的基坑支護施工方法)	Invention	PRC	Jianzhong Construction Technology	30 November 2018	201811456888.4
22	A kind of construction method of piles grouting and embedding after PHC filling (一種PHC管樁的注漿植樁施工方法)	Invention	PRC	Jianzhong Construction Technology	26 November 2018	201811419484.8

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No.	Patent Name	Type	Place of Application	Applicant	Application Date	Application Number
23	A kind of urban river dredging device and its using method (一種城市內河清淤裝置及其使用方法)	Invention	PRC	Jianzhong Construction Technology	21 December 2018	201811572949.3
24	A kind of pre-assembled horizontal support system for an integral foundation pit and its construction method (一種預製拼裝的整體式基坑水平支撐體系及其施工方法)	Invention	PRC	Jianzhong Construction Technology	21 December 2018	201811573013.2
25	A kind of construction method of support system for foundation pit of municipal large pond structures (一種市政大型池體構築物基坑支撐體系的施工方法)	Invention	PRC	Jianzhong Construction Technology	26 December 2018	201811602220.6
26	A kind of urban river treatment technology (一種內河治理工藝)	Invention	PRC	Jianzhong Construction Technology	26 December 2018	201811602196.6
27	A kind of suspended platform device (一種吊籃裝置)	Utility model	PRC	Jianzhong Construction Technology	6 July 2017	201720812893.9
28	A kind of formwork truss with single-sided support (一種單側支撐模板桁架)	Utility model	PRC	Jianzhong Construction Technology	7 September 2017	201721143157.5
29	A kind of checkgate for water level regulating (一種調節水位的堰門裝置)	Utility model	PRC	Jianzhong Construction Technology	26 November 2018	201821955989.1
30	A kind of smart pipe jacking machine (一種智能化頂管機)	Utility model	PRC	Jianzhong Construction Technology	26 November 2018	201821956763.3
31	A kind of assemblable precast concrete inspection well (一種裝配式預製混凝土檢查井)	Utility model	PRC	Jianzhong Construction Technology	28 November 2018	201821976645.9
32	A kind of pipe jacking structure (一種頂管結構)	Utility model	PRC	Jianzhong Construction Technology	30 November 2018	201822001400.0
33	A kind of smart lifting transfer platform (一種智能升降轉料平臺)	Utility model	PRC	Jianzhong Construction Technology	30 November 2018	201822000970.8
34	A kind of urban river dredging device (一種城市內河清淤裝置)	Utility model	PRC	Jianzhong Construction Technology	21 December 2018	201822159099.6
35	A kind of pre-assembled horizontal support system for an integral foundation pit and its construction method (一種預製拼裝的整體式基坑水平支撐體系)	Utility model	PRC	Jianzhong Construction Technology	21 December 2018	201822159129.3
36	Section steel made by aluminium alloy formwork (200-100) (鋁合金模版型材(200-100))	Design	PRC	Jianzhong Engineering Equipment	17 April 2018	201830158536.5

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No.	Patent Name	Type	Place of Application	Applicant	Application Date	Application Number
37	A kind of cooling twist drill (一種降溫螺旋鑽)	Utility model	PRC	Jianzhong Engineering Equipment	13 July 2018	201821110838.6
38	Pipe jacking machine based on earth pressure balance and its working method (基於土壓平衡的頂管機及其工作方法)	Invention	PRC	Jianzhong Engineering Equipment	27 June 2018	201810674581.5
39	A kind of cleaning devices for inner wall of drill pipes for construction (一種建築施工用鑽杆內壁清洗裝置)	Utility Model	PRC	Jianzhong Construction Technology	22 March 2019	2019203720962
40	A kind of mobile steel correction device (一種可移動鋼校正裝置)	Utility Model	PRC	Jianzhong Construction Technology	14 March 2019	2019203245070
41	A sludge recycling treatment system in holing of cast-in-place piles (一種灌注樁成孔泥漿循環處理系統)	Utility model	PRC	Jianzhong Construction Technology	8 July 2019	201921051342.0
42	A kind of mobile box room used on construction sites (一種建築工地用移動箱房)	Utility model	PRC	Jianzhong Construction Technology	9 July 2019	201921058622.4
43	A kind of stirring rig and pile driver equipment for underground retaining wall (一種地下擋土牆攪拌鑽機及樁機設備)	Utility model	PRC	Jianzhong Construction Technology	12 July 2019	201921090277.2
44	A kind of construction device in holing of cast-in-place piles in the riprap layer (一種拋石地層灌注樁成樁施工裝置)	Utility model	PRC	Jianzhong Construction Technology	18 July 2019	201921137993.1
45	A kind of mobile dosing device for sludge treatment in holing of cast-in-place piles (一種灌注樁成孔泥漿處理移動加藥裝置)	Utility model	PRC	Jianzhong Construction Technology	22 July 2019	201921155100.6
46	A kind of tunneling construction device (一種頂管施工裝置)	Utility model	PRC	Jianzhong Construction Technology	30 July 2019	201921212685.0
47	A kind of aluminum formwork device for cross beam structures (一種用於橫樑結構的鋁模裝置)	Utility model	PRC	Jianzhong Construction Technology	26 November 2018	201821956767.1
48	A kind of mobile base and the lifting platform with such base (一種可移動式底座及帶該底座的升降平台)	Utility model	PRC	Jianzhong Construction Technology	6 July 2017	201720811780.7
49	A kind of pipe rack aluminium formwork support system (一種管廊鋁模支撐系統)	Utility model	PRC	Jianzhong Construction Technology	26 November 2018	201821956769.0
50	A kind of anti-toppling device for attached lifting scaffold (一種附著式腳手架防傾裝置)	Utility model	PRC	Jianzhong Construction Technology	26 July 2017	201720915252.6

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No.	Patent Name	Type	Place of Application	Applicant	Application Date	Application Number
51	A kind of power-driven super-deep cement soil mixing pile driver (一種電驅超深水泥土攪拌樁機)	Invention	PRC	Jianzhong Engineering Equipment	24 July 2019	201910671166.9
52	A kind of power-driven super-deep cement soil mixing pile driver (一種電驅超深水泥土攪拌樁機)	Utility model	PRC	Jianzhong Engineering Equipment	24 July 2019	201921170972.X
53	A kind of mast climber construction work platform (一種導架升降平台)	Utility model	PRC	Jianzhong Engineering Equipment	26 July 2019	201921187933.0
54	(一種地下連續牆成槽造漿護壁結構)	Utility model	PRC	Jianzhong Construction Technology	8 July 2019	201921053148.6
55	(一種泥水分離器設備)	Utility model	PRC	Jianzhong Construction Technology	8 July 2019	201921052924.0

(e) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Domain name	Registered owner	Date of registration	Expiry date
1.	fjjzkj.com	Jianzhong Construction Technology	19 July 2016	19 July 2026
2	fjjzkj.cn	Jianzhong Construction Technology	19 July 2016	19 July 2026

(f) Copyrights

As at the Latest Practicable Date, we have registered the following copyrights which we consider to be material to our business:

No.	Name of copyright	Copyright registration number	Copyright holder	Date of registration
1.	Mast climber platform load limit synchronisation control system (Version 1.0) (導架爬升平台同步限載控制系統V1.0)	2016SR111244	Jianzhong Construction Technology	1 March 2016
2	Three-dimensional visual operation and maintenance system for sewage treatment (Version 1.0) (汙水處理三維可視運維系統V1.0)	2019SR0722721	Jianzhong Construction Technology	16 April 2017

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No.	Name of copyright	Copyright		
		registration number	Copyright holder	Date of registration
3	Triaxial mixer station operation and maintenance control system (Version 1.0) (三軸攪拌機站運維控制系統V1.0)	2019SR0722375	Jianzhong Construction Technology	16 June 2017
4	Smart anti-sway attached construction scaffold design system (Version 1.0) (智能防傾附著式腳手架設計系統V1.0)	2019SR0721215	Jianzhong Construction Technology	16 March 2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Disclosure of Interests

As at the date of this document and immediately following completion of the [REDACTED] and the Capitalisation Issue and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

(i) Interests in the Shares

Name of Director / Chief Executive Officer	Capacity / nature of interest	As at the date of this document	Immediately after the Capitalisation Issue and the [REDACTED]		
			Number of Shares ⁽¹⁾	Approximate percentage of shareholding	
Mr. Xun MH	Interest in a controlled corporation ⁽²⁾	6,805 Shares (L)	68.05%	[REDACTED] Shares (L)	[REDACTED]
Mr. Xun LB	Interest in a controlled corporation ⁽³⁾	999 Shares (L)	9.99%	[REDACTED] Shares (L)	[REDACTED]

Notes:

- (1) The letter “L” denotes the person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) Our Company will be directly owned as to [REDACTED] and [REDACTED] by MHX Investment BVI and JingH Investment BVI, respectively, immediately after the completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). MHX Investment BVI is beneficially wholly-owned by Mr. Xun MH. JingH Investment BVI is beneficially owned as to [REDACTED] by Mr. Xun MH. Mr. Xun MH is deemed to be interested in the aggregate number of Shares that are held by MHX Investment BVI and JingH Investment BVI under the SFO.

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- (3) Our Company will be directly owned as to [REDACTED] by Furi Investment BVI immediately after the completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). Furi Investment BVI is beneficially owned as to [REDACTED] by Mr. Xun LB. Mr. Xun LB is deemed to be interested in the number of Shares that are held by Furi Investment BVI under the SFO.

(ii) Interests in the shares of our associated corporations

Name of Director	Name of associated corporations	Capacity/nature of interest	Number of class of securities in the associated company	Percentage of shareholding interests in associated corporations
Mr. Xun MH	MHX Investment BVI	Beneficial owner	1	100%
	JingH Investment BVI	Beneficial owner	3,699	[REDACTED]
Mr. He	JingH Investment BVI	Beneficial owner	281	[REDACTED]
Ms. Zheng	JingH Investment BVI	Beneficial owner	281	[REDACTED]
Mr. Xun LB	Furi Investment BVI	Beneficial owner	4,201	[REDACTED]

So far as is known to any Director or the chief executive of our Company as at the Latest Practicable Date, save as disclosed above, none of the Directors or chief executive of our Company will, immediately following completion of the Capitalization Issue and [REDACTED] and without taking into account any options which may be granted under the Share Option Schemes or any Shares to be issued upon the exercise of the options which may be granted under the Share Option Schemes, have any interests or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED] on the Stock Exchange.

2. Directors’ service contracts and letter of appointment

Our Company entered into a service contract with each of our Executive Directors and Non-executive Directors and a letter of appointment with each of our Independent Non-executive Directors on [•] 2019. Each of the service contracts and the letters of appointment is for an initial fixed term of [three] years commencing from the [REDACTED].

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any members of our Group (other than contracts expiring or determinate by the employer within one year without the payment of compensation (other than statutory compensation)).

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3. Director's Remuneration

The aggregate remuneration (including salaries, allowances and benefits in kind, discretionary bonuses, restricted scheme contributions and share-based payment) incurred for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 were approximately RMB0.4 million, RMB0.8 million, RMB1.1 million and RMB0.2 million, respectively.

Save as the disclosed in this document, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019.

Pursuant to the existing arrangements that currently in force as of the date of this document, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending 31 December 2019 is estimated to be approximately RMB1.0 million in aggregate.

4. Directors' competing interest

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

save as disclosed in "History, Reorganisation and Corporate Structure" and "Connected Transactions", none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, been acquired or disposed by or leased to our Company or any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;

- (b) save as disclosed in "History, Reorganisation and Corporate Structure", "Connected Transactions" and "Relationship with the Controlling Shareholders", none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business in our Group; and
- (c) save as disclosed in "Business", so far as in known to our Directors, none of our Directors and their close associates or our Shareholders (who to the knowledge of our Directors owns more than 5.0% of the number of our issued share capital) has any interest in our five largest customers or our five largest suppliers or our five largest subcontractors.

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D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our Shareholders on [*] 2019. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(a) Purpose

The purpose of the Share Option Scheme is to motivate Eligible Persons (as set out in paragraph (b) below) (i) to optimise their future contributions to our Group; (ii) to reward them for their past contributions; and (iii) to attract, retain or otherwise maintain on-going relationship with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of our Group.

(b) Eligible persons

Our Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "**Executive**"), a consultant, business or sole venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or an associate of any of the foregoing persons (together, "**Eligible Persons**" and each an "**Eligible Person**").

(c) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the **[REDACTED]** Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the **[REDACTED]** of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and
- (ii) the commencement of the dealings in the Shares on the Stock Exchange.

The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Share Option Scheme) be final and binding on all parties.

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(d) Determination of eligibility

- (i) The Board may, at its absolute discretion, offer to grant to any Eligible Person (a "Grantee") an option to subscribe for Shares under the Share Option Scheme.
- (ii) The basis of eligibility of any Eligible Person to the grant of any option shall be determined by our Directors from time to time on the basis of their contributions to the development, growth and success of our Group.
- (iii) For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless our Directors otherwise determine, be construed as a grant of options under the Share Option Scheme.
- (iv) An Eligible Person or a Grantee shall provide the Board such information and supporting evidence as the Board may in its absolute discretion request from time to time (including before the offer of a grant of option, at the time of acceptance of a grant of option and at the time of exercise of an option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or a Grantee or that of his close associates or for purposes in connection with the terms of an option (and the exercise thereof) or the Share Option Scheme and the administration thereof.

(e) Duration

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the [REDACTED]. However, the Shareholders may by a resolution in general meeting at any time terminate the Share Option Scheme. Upon expiry or termination of the Share Option Scheme, no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted before such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

(f) Grant of options

On and subject to the terms and conditions of the Share Option Scheme, our Board shall be entitled at any time within a period of ten years commencing on the [REDACTED] to offer the grant of any option to any Eligible Person as the Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the option as accepted to the Eligible Person.

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Subject to the provisions of the Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any condition, restriction or limitation in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option), including but without prejudice to the generality of the foregoing continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the Grantee, the satisfactory performance or maintenance by the Grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the Shares to which the option relates shall vest.

An offer of the grant of an option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within the period specified in the letter containing the offer of the grant of the option. Once such acceptance is made, the option shall be deemed to have been granted and to have taken effect from the offer date.

(g) Subscription price of the Shares

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

- (i) the nominal value of a Share;
- (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (iii) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph (m).

(h) Exercise of options

- (i) An option shall be exercised in whole or in part by the Grantee according to the procedures for the exercise of options established by our Company from time to time during such period ("**option period**") which commences from the offer date but shall end in the event not later than 10 years from the offer date. Every exercise of an option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such option.

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- (ii) An option shall be personal to the Grantee and shall not be assignable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do so. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or any part thereof granted to such Grantee without any compensation.
- (iii) Subject to sub-paragraph (v) below and any condition, restriction or limitation imposed in relation to the particular option pursuant to the provisions of paragraphs (f), (j) or (I) and subject as hereinafter provided, an option may be exercised at any time during the option period, provided that:
 - (1) if the Grantee (being an individual) dies or becomes permanently disabled before exercising an option (or exercising it in full), he (or his legal representative(s)) may exercise the option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;
 - (2) in the event of the Grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;
 - (3) in the event of the Grantee ceasing to be an Executive by reason of his transfer of employment to an affiliated company of our Company, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;
 - (4) in the event of the Grantee ceasing to be an Executive by any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time, transfer of employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

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- (5) in the event of the Grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the Grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's option has lapsed pursuant to this sub-paragraph shall be final and conclusive;
- (6) if a Grantee being an Executive Director ceases to be an Executive but remains a Non-executive Director, his option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board has determined the option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- (7) if (aa) our Board in its absolute discretion at any time determines that a Grantee has ceased to be an Eligible Person; or (bb) a Grantee has failed to satisfy or comply with or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the option or which were the basis on which the option was granted, the option (to the extent not already exercised) shall lapse on the date on which the Grantee is notified thereof (in the case of (aa)) or on the date on which the Grantee has failed to satisfy or comply with or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (bb)) and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (aa), a resolution of our Board resolving that the Grantee's option has lapsed pursuant to this subparagraph shall be final and conclusive;

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- (8) if a Grantee (being a corporation) (aa) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertakings of the Grantee; or (bb) has suspended, ceased or threatened to suspend or cease business; or (cc) is unable to pay its debts; or (dd) otherwise becomes insolvent; or (ee) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (ff) commits a breach of any contract entered into between the Grantee or his associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the Grantee is deemed to be unable to pay its debts or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be), and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the Grantee's option has lapsed pursuant to this subparagraph by reason of a breach of contract as aforesaid shall be final and conclusive;
- (9) if a Grantee (being an individual) (aa) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or (bb) has made any arrangements or compositions with his creditors generally; or (cc) has been convicted of any criminal offence involving his integrity or honesty; or (dd) commits a breach of any contract entered into between the Grantee or his associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors, or on the date of his conviction or on the date of the said breach of contract (as the case may be), and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the Grantee's option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

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- (10) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) before such time and date as shall be notified by our Company;
- (11) in the event of an effective resolution being passed for the voluntary winding-up of our Company, and if the Grantee immediately before such event had any subsisting option which had not been fully exercised, the Grantee may by notice in writing to our Company within one month after the date of such resolution elect to be treated as if the option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation, with the rights same as the holders of Shares, such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof;
- (12) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the Grantees who have unexercised options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (aa) the option period; (bb) the period of two months from the date of such notice; and (cc) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his option. Except insofar as exercised in accordance with this subparagraph, all options outstanding at the expiry of the relevant period referred to in this sub-paragraph shall lapse. Our Company may then require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the option to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any Grantee to exercise an option on any particular date, our Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional condition, restriction or limitation imposed in relation to the particular option pursuant to the provisions of paragraph (f) and/or deem the right to exercise the option in respect of the Shares the

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subject thereof to have been exercisable notwithstanding that according to the terms of the particular option such right shall not have then vested;

- (13) the Shares to be allotted upon exercise of an option shall be subject to all the provisions of the Articles of Association in force from time to time and shall carry the same rights as then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the allotment date. Subject as aforesaid, no Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an option pursuant to the Share Option Scheme; and
- (14) our Company is entitled to refuse any exercise of an option if such exercise is not in accordance with the terms and conditions of the Share Option Scheme or the procedures for exercise of options established from time to time or if such exercise may cause to contravene or breach the Listing Rules, any applicable law, enactment or regulation for the time being in force in Hong Kong, the Cayman Islands or any other jurisdiction, or any other rule or regulation governing the [REDACTED] of the Shares on a stock exchange.
- (iv) The Shares to be allotted and issued upon exercise of an option shall be subject to all the provisions of the Articles of Association as at the allotment date and shall rank pari passu in all respects with the existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holder to participate in all dividends or other distributions paid or made after the allotment date, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the allotment date. Any Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.
- (v) Without prejudice to the generality of the foregoing, the Grantee may only exercise an option subject to any restrictions as may be reasonably imposed by our Board from time to time with a view to ensure or facilitate compliance with any relevant laws, mandatory rules and/or regulations binding on our Company, particularly those relating to insider dealing and other prohibitions under the Listing Rules.

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(i) Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by our Company:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in sub-paragraph (h)(iii) above;
- (iii) subject to sub-paragraph (h)(iii)(11) above, the date of the commencement of the winding-up of our Company;
- (iv) there is an unsatisfied judgement, order or award outstanding against the Grantee or our Board has reason to believe that the Grantee is unable to pay or has no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong);
- (v) there are circumstances entitling any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (h)(iii)(8), (h)(iii)(9) or (i)(iv) above; or
- (vi) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any option, provided that our Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

(j) Maximum number of Shares available for subscription

The maximum number of Shares to be issued upon exercise of all options which may be granted under the Share Option Scheme (and under any other [REDACTED] share option scheme of our Company) shall not in aggregate exceed 10.0% of the Shares representing 62,500,000 Shares in issue immediately after completion of the [REDACTED] and as at the [REDACTED] ("Scheme Mandate Limit"), provided that our Company may at any time as our Board may think fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, except that the maximum number of Shares to be issued upon exercise of all options which may be granted under the Share Option Scheme (and under any other [REDACTED] share option scheme of our Company) shall not exceed 10.0% of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Options previously granted under the Share Option Scheme and any other [REDACTED] share option scheme (including those outstanding, cancelled and lapsed in accordance with the terms and conditions of the Share Option Scheme or any other [REDACTED] share option scheme or exercised options under the said schemes of our Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall issue a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders. In addition, our

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Company may seek separate approval from the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is obtained. Our Company shall issue a circular to the Shareholders containing the information required under Rule 17.03(3) of the Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (and under any other [REDACTED] share option scheme of our Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the Shares in issue from time to time. Where any further grant of options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1.0% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his associates or close associates (as the case may be) abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with.

The maximum numbers set out in this paragraph (j) shall be subject to adjustment in accordance with paragraph (I) but shall not in any event exceed the limits imposed by Chapter 17 of the Listing Rules.

(k) Grant of options to core connected persons

Insofar as and for so long as the Listing Rules require, where any offer of an option is proposed to be made to a Director, chief executive of our Company or Substantial Shareholder or any of their respective associates, such offer must first be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is or whose associate is the Grantee to whom the option is proposed to be granted). Insofar and for so long as the Listing Rules so require, no option may be granted to any Substantial Shareholder or Independent Non-executive Director or any of their respective associates which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme (and under any other share option scheme of our Company) in the 12-month period up to and including the date of board meeting for proposing such further grant (i) representing in aggregate over 0.1% of the share capital of our Company in issue; or (ii) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million, unless such further grant is approved by the Shareholders in general meeting. Before seeking such approval, our Company shall issue a circular containing such information as required by the Listing Rules to the Shareholders. At such general meeting, the

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grant of options to the Substantial Shareholder or Independent Non-executive Director or any of their respective associates shall, for so long and insofar as the Listing Rules so required, be approved by the Shareholders by way of poll with the Grantee, his associates and all core connected persons of our Company abstaining from voting, except that any such person may vote against such resolution provided that he has informed our Company of his intention to do so and such intention has been stated in the relevant circular to the Shareholders.

(l) Cancellation of options

Our Board shall be entitled for the following causes to cancel any option in whole or in part by giving notice in writing to the Grantee stating that such option is thereby cancelled with effect from the date specified in such notice ("**Cancellation Date**"):

- (i) the Grantee commits or permits or attempts to commit or permit a breach of subparagraphs (d)(iv) or (h)(ii) above or any term or condition attached to the grant of the option;
- (ii) the Grantee makes a written request to our Board for, or agrees to, the option to be cancelled; or
- (iii) if the Grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or any member of our Group.

The option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels an option held by a Grantee and issues new options to the same Grantee, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled option) within the limits set out in paragraph (j) above.

(m) Reorganisation of capital structure

In the event of any change in the capital structure of our Company while any option may become or remains exercisable, whether by way of a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (i) the number of Shares subject to outstanding options;
- (ii) the subscription price of each outstanding option; and/or
- (iii) the number of Shares subject to the Share Option Scheme.

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Where our Board determines that adjustments are appropriate (other than an adjustment arising from a Capitalisation Issue), the auditors or the independent financial advisors (as our Board may select) shall certify in writing to our Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes, provided that:

- (i) the aggregate percentage of the issued share capital of our Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the Listing Rules from time to time;
- (ii) any such adjustments shall be made on the basis that the aggregate subscription price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event;
- (iii) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and
- (iv) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any Grantee is entitled to subscribe pursuant to the options held by him shall remain the same as (but shall not be greater than) that to which he was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisors (as the case may be) in this paragraph (m) is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on our Company and the Grantees. The costs of the auditors or the independent financial advisors (as the case may be) shall be borne by our Company.

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(n) Distributions

Upon distribution by our Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) ("**Distribution**"), our Company may make a downward adjustment to the subscription price of any option granted but not exercised as at the date of such Distribution by an amount which our Board considers as reflecting the impact such Distribution will have or will likely to have on the trading price of the Shares provided that (i) the Board's determination of any adjustment shall be final and binding on all Grantees; (ii) the amount of adjustment shall not exceed the amount of such Distribution to be made to the Shareholders; (iii) such adjustment shall take effect on or after the date of such Distribution by our Company; (iv) any adjustment provided for in this paragraph (n) shall be cumulative to any other adjustment contemplated under paragraph (m) or approved by the Shareholders in general meeting; and (v) the adjusted subscription price shall not, in any case, be less than the nominal value of the Shares.

(o) Share capital

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of options.

(p) Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares, the subject of an option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisers (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

(q) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of our Board, except that the following shall not be carried out except with the prior approval of the Shareholders by an ordinary resolution in a general meeting:

- (i) any material alteration of the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (ii) any alteration of the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules;

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- (iii) any change to the authority of our Directors in relation to any alteration of the terms of the Share Option Scheme; or
- (iv) any alteration to this paragraph (q),

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules.

(r) Termination

Our Company may by a resolution of the Shareholders in general meeting at any time terminate the operation of the Share Option Scheme. Upon expiry or termination of the Share Option Scheme, no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted before such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

An application has been made to the Listing Committee to the Stock Exchange for the [REDACTED] of, and permission to deal in, the new Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

Our company will disclose in the annual and interim reports details of the Share Option Scheme including the number of options granted/exercised/cancelled/lapsed, date of grant, vesting period, exercise period and exercise price during the relevant financial year/period in accordance with the Listing Rules in force from time to time.

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E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

2. Tax and other indemnities

Our Controlling Shareholders have entered into a Deed of Indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being a contract referred to in the subsection headed “B. Further Information About Our Business — 1. Summary of Material contracts” in this appendix) to provide indemnities on a joint and several basis in respect of, among other things, taxation resulting from profits or gains earned, accrued or received on or before the date on which the [REDACTED] become unconditional.

3. Sole Sponsor’s fees

The Sole Sponsor will receive a fee of HK\$5.68 million for acting as the sole sponsor for the [REDACTED].

4. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (WUMP) Ordinance) whose names are included and who gave opinions or advice which are contained in, or referred to in, this document:

Name	Qualifications
VMS Securities Limited	a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants
Jingtian & Gongcheng	Qualified PRC lawyer
Appleby	Legal advisers to the Company as to Cayman Islands
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Russell Bedford Hong Kong	Tax consultant

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5. Consent of Experts

Each of the experts as referred to in the section headed "Qualification of Experts" in this Appendix has given and has not withdrawn its written consents to the issue of this document with the inclusion of its reports and/or letters and/or legal opinion (as the case may be) and references to its names included in the form and context in which it respectively appears.

None of experts named above has any shareholders' interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

6. Interests of experts

None of the experts has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

None of the experts has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

7. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

8. Preliminary Expenses

The preliminary expenses incurred by our Company amounted to approximately HK\$53,000 and were paid by our Company.

9. Exemption from requirement to set out property valuation report

This document is exempt from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance in reliance on the exemption under section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). Please see "Business — Properties" for further details.

10. Binding Effect

This document shall have effect, if an application is made pursuant of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

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11. Bilingual [REDACTED]

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

- (a) Within the two years immediately preceding the date of this document:
 - (i) No share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group; and
 - (iii) no commission has been paid or payable (except commission to sub-[REDACTED]) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries.
- (b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (d) Our Company has no outstanding convertible debt securities or debentures.
- (e) There is no arrangement under which future dividends are waived or agreed to be waived.
- (f) There has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, a copy of the [REDACTED], [REDACTED] and [REDACTED] [REDACTED], copies of the written consents referred to in the sub-paragraph headed “5. Consents of Experts” under the paragraph headed “Other Information” of Appendix IV to this document, and certified copies of the material contracts referred to in the sub-paragraph headed “1. Summary of Material Contracts” under the paragraph headed “Further Information about the Business of the Company” of Appendix IV to this document.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons at 5/F, Alexandra House, 18 Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report for the years ended 31 December 2016, 2017, 2018 and five months ended 31 May 2019 prepared by KPMG, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019;
- (d) the report on unaudited pro forma financial information issued by KPMG, the text of which is set out in Appendix II to this document;
- (e) the letter prepared by Appleby summarising certain aspects of the Cayman Islands Company Law as referred to in Appendix III to this document;
- (f) the Companies Law;
- (g) the legal opinions prepared by Jingtian & Gongcheng in respect of the certain aspects of our Group and property interests of our Group in the PRC and summary of PRC laws and regulations relating to our Group;
- (h) the industry report prepared by Frost & Sullivan;
- (i) the tax report prepared by Russell Bedford Hong Kong;
- (j) the service contracts and letter of appointment referred to in the paragraph headed “Statutory and General Information — C. Further information about our Directors and Substantial Shareholders — 2. Directors’ service contracts and letter of appointment” in Appendix IV to this document;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
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- (k) the rules of the Share Option Scheme;
- (l) the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further information about our business — Summary of material contracts” in Appendix IV to this document; and
- (m) the written consents referred to in the paragraph headed “Consents of Experts” in Appendix IV to this document.